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Ireland and Brussels clash on aid

By David Gardner in Brussels

THE Irish government and the European Commission yesterday clashed over regional aid, in what officials on both sides fear could be a widening row spreading into next week's EC summit in Brussels.

Dublin fears it will not now get the £7.8bn (£7.5bn) in structural aid it believes it was promised after marathon negotiations in Brussels in July, during which Ireland threatened to veto the EC's £12.5bn (£12.2bn) regional aid programme for 1994-1999.

Irish officials say Mr Jacques Delors, the Commission president, is going back on the pledge he gave to Mr Dick Spring, Ireland's foreign minister, in the early hours of July 20 when Dublin lifted its veto. Mr Delors responded angrily yesterday, telling RTE, Irish Television: "I always have the custom of fulfilling my promises: this is a lie."

The Commission meets in special session this morning to decide on a proposal from Mr Bruce Millan, commissioner for regional policy, which would give Ireland only around Irish £7.2bn.

A decision was delayed at yesterday's weekly meeting of the EC executive, when Ireland's commissioner, Mr Padraig Flynn, invoked a rarely used internal Commission regulation to demand a postponement.

Mr Flynn said yesterday that the lower payment was "not in accordance with the agreement between Ireland and the Commission".

In the interim, the Irish prime minister, Mr Albert Reynolds, has had several telephone conversations with Mr Delors, and Dublin was last night considering sending a high-level delegation to Brussels.

One Irish source described the dispute as "the biggest political row in 30 years of (Irish) membership of the Community" and forecast an

"untidy" EC summit next week.

Ireland's share of the 1994-99 structural aid budget comes from the Ecu96.3bn devoted to backward regions of the Community, whose per capita income is below 75 per cent of the EC average.

The four poorest, or "cohesion" countries - Ireland, Spain, Portugal and Greece - will get Ecu70bn of this, plus an additional Ecu15.5bn from the so-called Cohesion Fund, devoted to helping them catch up with the Community's environment and transport infrastructure standards.

In the three long rounds of ministerial horse-trading in July, however, the Commission pledged Ecu2bn more to so-called Objective 1 member states than it has to give, senior Brussels officials confirmed yesterday.

As well as Ireland, Greece, Portugal and Italy are unhappy with their allocations, while Germany and the UK, the EC's main paymasters, are certain to insist the regional aid ceiling agreed at the 1992 Edinburgh summit is not exceeded.

Under the 1989-93 structural aid budget, sparsely populated Ireland received between two and two-and-a-half times more funding per head than its three "cohesion" partners.

One senior Commission official said that even on the lowest figures now cited, Ireland is still "measurably in front of the other three."

Mr Delors said, however, that what the Commission was discussing today was a "minimum, indicative number", which could rise later.

The government of Mr Reynolds, however, now finds itself in a political bind, having written £58bn in EC funding into its £220bn national development plan for the next five years.

Mr Millan remarked yesterday: "I daresay when you're talking about money, lots of people get disappointed."

Stability returning to German economy

By Christopher Parkes in Frankfurt and Quentin Peel in Bonn

WEST GERMAN indicators suggest the economy is stabilising, the economics ministry said yesterday, as the growth of money supply edged closer to the Bundesbank's target range and money market interest rates fell slightly.

Both events indicated a more stable environment for the central bank to continue

its series of cautious reductions in short-term interest rates, economists suggested.

The ministry's monthly report pointed to a "slightly less pessimistic" assessment by businesses for the first time in the past year. This coincided with a marginal improvement in demand in the manufacturing sector, and a stabilisation in industry as a whole.

Economists suggested that today's meeting of the Bundes-

bank's central council would not bring further cuts in the key discount rate, presently at 6.25 per cent.

The M3 measure of money supply grew at a seasonally adjusted annualised rate of 7 per cent last month, compared with 7.2 per cent in August and the bank's upper target limit of 8.5 per cent. However, total money supply rose moderately during the month after weakening in August, the bank added, and bank lending

had increased again after falling in the previous month.

The Bundesbank yesterday resumed its fine-tuning of money market interest rates with a reduction from 6.7 per cent to 6.67 per cent in its securities repurchase rate, a move which had been widely discounted.

But, the latest ministry report warns that structural adjustment by German companies is likely to mean that economic recovery will continue

to be extremely hesitant.

It suggests that wage agreements reached so far in the current pay round clearly reflect the precarious position. It also points to a further deterioration in unemployment.

In east Germany, the monthly economic statistics continue to show big variations, reflecting in part the sporadic nature of orders for exports from former clients in eastern Europe and the former Soviet Union. Both imports

and exports for Germany as a whole have shown a sharp decline over the past year.

In the first seven months of 1993, imports were down 17.2 per cent, and exports down 13.8 per cent.

Germany's visible trade balance for the period increased to DM25.3bn (£10.2bn), from DM14.6bn for the same period of 1992. Its deficit on the invisible account rose from DM10.7bn to DM21.9bn.

Kohl learns to say Nein to EC partners

A unified Germany wants more from Brussels in return for its role of paymaster, writes Lionel Barber

FOR more than five years, there was an unwritten rule in EC budget negotiations: sit tight, if necessary through the night, and wait for Chancellor Helmut Kohl to cough up the money.

These days, the EC can no longer count on Mr Kohl's grand cozier. Weighed down by the costs of unification, Germany is less willing to play the role of paymaster, less reticent about pushing its national interests, and more unpredictable in its behaviour within the Community.

Mr Jacques Delors, president of the European Commission, has sensed the mood swing. He has given a spate of interviews and speeches in Germany, warning Germans about the risks of becoming wrapped up in post-unification problems and ignoring the wider interests of her European neighbours.

German-watchers in Brussels believe that German assertiveness within the EC is the inevitable consequence of its new size and power. "This will require adjustments for everybody," says one EC official, "including France."

Perhaps the most dramatic expression of the national interest was during the collapse of the European exchange rate mechanism last August. Bundesbank and finance ministry officials refused not only to succumb to French pressure to force the D-Mark out of the ERM; they also struck a deal with the Dutch to maintain the old 4.5 per cent fluctuation margin with the guilder. The rest of

the ERM currencies reverted to 30 per cent fluctuation margins.

Such assertiveness should not be interpreted as a shift in Germany's European policy. Despite signs that German public opinion is more lukewarm about the EC than for many years, Mr Kohl has refused to compromise on his enthusiasm for the Maastricht treaty and the desirability of deeper European integration.

On the other hand, Brussels officials have identified several issues which reflect the Bonn government's recent willingness to say *Nein* to its EC partners.

■ An insistence that German farmers be compensated for the revaluation of the D-Mark as a result of the suspension of the ERM. Bonn wants full operation of the so-called "switchover" mechanism, even though the future costs to the EC budget could be prohibitive.

■ A refusal to abide by EC limits on the amount of land which can be sown with cereals in eastern Germany. Germany argues that Brussels miscalculated the "base area" in 1992 by failing to include 180,000 ha devoted to maize.

■ An informal non-aggression pact with the US covering potential telecommunications sanctions. Brussels argues that the pact challenged the principle of a unified EC trade policy; German officials say the row has been quietly buried.

■ German insistence that the Ekostahl steel plant in former East Germany should be considered eligible for some state



Chancellor Kohl with Foreign Minister Klaus Kinkel. Brussels has noticed Mr Kohl's mood swing

subsidies. Brussels officials believe this stubbornness could wreck efforts to reach a deal to reconstruct Europe's ailing steel industry.

A senior German official argues that Ekostahl is a test case. The EC should show more flexibility, recognising that arrangements for reductions of steel capacity in Italy and Spain are unlikely to be water-tight. The closure of Ekostahl would invite an anti-EC backlash throughout the east, he says. The EC is already planning to double its aid to east Germany next year from the current annual figure of Ecu1bn (£770m). But some

EC officials believe that more needs to be done. One senior official notes that East Germany failed to win the same generous "derogations" on agriculture which were accorded to Spain and Portugal during their entry negotiations. Yet as a former Communist country, East Germany's problems of transition were arguably more severe.

"Remember the second language was Russian, not English," he says. One of the most sensitive questions regarding post-unification Germany is its political weight within the EC. A recent paper by Mr Karl Lamers, for-

sign affairs spokesman of the ruling Christian Democrat Union, advocated strengthening the voting rights of the big powers in the EC.

Though the Lamers paper did not enjoy official status, it received support in some parts of the Bonn bureaucracy. The proposition that a country with 80m people should have greater voting strength in an enlarged Community has a certain logic, but it remains controversial for historical and political reasons.

The signs are that Bonn has modified its position on institutional reform, mainly because Mr Kohl has no desire to jeopardise the enlargement negoti-

ations with Finland, Norway, Sweden and Austria. At the same time, countries such as France recognise that the pure application of demographics would inevitably break voting parity with Germany.

However, its seems that Brussels and the member states will have to adjust their policies to accommodate Germany. Hence the willingness of France and the UK to cave in quietly to Mr Kohl's campaign to bring the European Monetary Institute to Germany, most likely Frankfurt. "It is the price for Germany giving up the Deutschmark," says one French official.

■ France is ready to support putting the European Monetary Institute, embryo of the European central bank, in Germany, according to Mr Alain Juppé, France's foreign minister, in an interview appearing in today's in the Rheinischer Merkur newspaper, writes David Buchan in Paris.

However, France is not prepared to endorse siting the EMI specifically in Frankfurt, as Chancellor Helmut Kohl insists should be decided at next week's EC summit. France fears that choosing Frankfurt might whip up concern in at home about German hegemony, but seems increasingly to accept that this may be the only way of stirring German enthusiasm for eventual monetary union. Lyons, France's official candidate, was yesterday still hopeful of emerging as a compromise choice for the European bank.

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You can read his review of her memoirs exclusively in this Saturday's edition of the Weekend FT.

Weekend FT.

Air France strikers face force threat

By Alice Rawthorn in Paris

STRIKING Air France workers were warned yesterday by Mr Bernard Bosson, the French transport minister, that the government would use force "if necessary" to clear them from the runways at the two main Paris airports.

Both Charles de Gaulle and Orly airports were yesterday thrown into chaos for the second successive day because of the strike by employees, who are protesting against proposals to cut 4,000 jobs and to reduce overtime pay at the loss-making national airline.

Mr Bosson said after leaving a parliamentary session that the situation was "intolerable" and that the government would act on its threat to clear the runways forcibly "if it remains impossible for the airlines to operate".

The strike also spread to airports elsewhere in France, with Nice and Marseilles being blocked for part of the day. Both Air France and Aéroports de Paris, which runs the Paris airports, said last night that they could give no indication as to the likely situation today.

Air France workers occupied

the runways at Orly, the main airport for domestic flights, for most of yesterday morning. The blockade was broken up by police during the afternoon, but the strikers returned in early evening.

Squads of riot police moved into Charles de Gaulle airport during the early hours of the morning to stop strikers from occupying the runways and forming picket lines on access roads as they did on Tuesday.

Some international airlines, including Germany's Lufthansa, managed to get flights out of Charles de Gaulle. However, hundreds of other international flights and almost all Air France flights were cancelled. Several carriers took passengers by coach to Brussels or Frankfurt, but hundreds of people were left stranded at airport hotels.

Mr Bernard Attali, chairman of Air France, called on the unions to start negotiating on a local basis. Central discussions between Air France and the unions were suspended last weekend. Mr Attali also affirmed that, despite the strike, he was still determined to press ahead with his cost-cutting plan.

Swedish economy to shrink by 2.8%

By Christopher Brown-Hume in Stockholm

THE SWEDISH economy will shrink by 2.8 per cent this year, its worst performance since the second world war, according to the government.

Its latest forecast is much more pessimistic than the one it gave in April, when it predicted a fall of just 1.7 per cent. However, it believes 1993 will mark the low point, with GNP growth of 1.3 per cent expected in 1994 and 2.9 per cent in 1995.

Mrs Anne Wibble, the finance minister, said: "The road back to sustained growth, full employment and healthy financing is a long one, but more and more signs of recovery can now be discerned".

No growth in private consumption is expected in 1994, and public consumption is forecast to fall 1.3 per cent. Unemployment will rise to 8.4 per cent, excluding those on training schemes, before falling to 7.9 per cent in 1995.

To help tackle the unemployment crisis, the government yesterday announced plans to nearly halve employers' social security contributions for new staff. The measure will apply to all companies with more employees in 1994 than in September 1993, and is partly designed to combat explosive growth in overtime.

The government is relying on export-led recovery to get Sweden out of a three-year economic trough, and to cut the budget deficit and state borrowing totals which, in relative terms, are among the highest in the western world. It expects the public finance deficit to fall from SKr208bn (\$26bn), or 14.5 per cent of GNP, in 1993 to SKr180bn, or 12 per cent of GNP, in 1995.

New measures to help achieve a targeted SKr18bn strengthening of the budget over five years include higher individual social security charges and reduced medical subsidies.

Czech budget deficit to total \$640m

THE Czech Republic's budget for 1994 will show a deficit of \$640m (\$640m), Mr Tomas Jizek, head of the National Property Fund which oversees privatisations, said yesterday, writes Patrick Blum from Prague. The deficit, which would be caused by debts incurred under the communist regime, would be covered by privatisation revenues, the Czech news agency reported.



Georgians at Tbilisi airport unload an aircraft carrying US humanitarian aid

Russia deploys troops to contain Georgia chaos

By Gillian Tett in Moscow and Steve Levine in Tbilisi

RUSSIAN military leaders yesterday moved to deploy troops to defend rail and sea links in Georgia as rebel forces of the ousted leader, Mr Zviad Gamsakhurdia, continued their advance towards the country's second city, Kutaisi, which is being defended by army units loyal to President Eduard Shevardnadze.

A statement from the Russian foreign ministry in Moscow said troops were being assigned to guard a strategic railway which runs from Georgia's Black Sea port of Poti to neighbouring Azerbaijan and Armenia, in accordance with a request from Mr Shevardnadze.

As skirmishes continued yesterday on the outskirts of Kutaisi, which has been expecting a full-scale assault by the rebels for the past three days, the Georgian ambassador to Moscow issued another plea for Moscow's assistance.

"We need Russian help - we cannot defend these [transport links] ourselves," said Mr Valerian Advadze, echoing a last-ditch appeal by Mr Shevardnadze on Tuesday.

A senior Russian official in Tbilisi yesterday said that 20 truck loads of Russian soldiers had been sent to defend the railway from their base in Batumi, western Georgia, and had now taken control of part of the line to Tbilisi. Mr Gamsakhurdia's control over the

railway has given him a partial stranglehold over Tbilisi.

But a Russian presidential spokesman in Moscow emphasised that Russia's intervention was a peacekeeping action which did not constitute interference in Georgia's internal affairs. Moscow expected units would also be sent by Azerbaijan and Armenia.

If the city of Kutaisi falls, it would be a serious blow to Mr Shevardnadze's government, already severely weakened by the loss of the Abkhazia to Abkhaz separatist forces last month, and the loss of much of western Georgia to the Georgian rebels, who have been pushing in a two pronged attack across the region.

NEWS IN BRIEF

Yeltsin acts on company debt

PRESIDENT Boris Yeltsin has signed a decree to force Russian enterprises to settle debts incurred between themselves, it was announced yesterday, writes Leyla Boulton from Moscow.

The decree provides for the issue of promissory notes which would enable creditors to sell enterprises' debts to other companies if they remained unpaid. The holders of such debts could then try to recover them by starting bankruptcy proceedings against the indebted enterprise.

With inflation very high and enterprises prepared to deliver goods to each other without payment, many have found it both possible and profitable to drag out payment indefinitely.

Slovakia coalition formed

Slovakia's governing party, the Movement for a Democratic Slovakia, is to form a coalition with the opposition Slovak National Party, writes Patrick Blum from Prague. The new coalition will command an absolute majority in the 150-seat parliament. Its formation delays the threat of an early election and will also allow the passage of a budget for next year.

EC entry opposed in Norway

Norway's main opposition Centre party yesterday tabled a motion in parliament calling for withdrawal of the country's application for membership of the European Community, writes Karen Fossli from Oslo.

The proposal, made at the start of a two-day debate on the King's speech, initiated a stormy parliamentary session, with the Centre party promising to flex its muscles at every opportunity to demonstrate new-found political strength after overruling the pro-EC Conservative party in the election.

Few political analysts believe the proposal will win majority backing of the Storting when it is put to a vote tonight. Recent opinion polls on EC membership show opposition running at an unprecedented 56-60 per cent against the move. The governing Labour party is split on the issue but says the electorate must be given the opportunity to vote on membership in a referendum, probably by 1996, if the country is to have a strong negotiating position with Brussels.

US pledge on Bosnia troops

The US yesterday made clear to its allies it was still ready to send "substantial" forces for a peacekeeping operation in Bosnia if a settlement was reached, writes David White, Defence Correspondent. Mr Les Aspin, US defence secretary, also told other Nato defence ministers meeting in Travemünde that Washington was looking at ways of helping the humanitarian aid effort in Bosnia in the absence of a peace agreement.

Ministers and Nato officials played down reports of a transatlantic rift following President Bill Clinton's weekend interview criticising the role of Britain and France.

Industry output rises strongly

By John Fiddling in Paris

FRENCH industrial production rose strongly in July and August, increasing by 1.3 per cent over June, according to figures from Insee, the national statistics institute. Manufacturing output rose by 0.7 per cent during the period.

Mr Edmond Alphandery, economy minister, said the figures were encouraging and supported his forecasts of a stabilisation in economic activity in the current quarter and a return to growth in 1994.

Private sector economists and Insee, however, expressed caution. Insee described the statistics as "fragile", adding that data for the summer period were less reliable than for other months. Industrial output in July and August, lumped together because of the summer holidays, was still 2.9 per cent down on the same period last year.

"The numbers are higher than expected," said one Paris-based economist, who had forecast a rise of 0.3 per cent in July-August. "But there is a relatively important margin of error. They signal a stabilisation of the situation rather

than a recovery from recession." Several economists believe France could suffer a "double-dip" recession, with a contraction in the fourth quarter after recovery in the third.

The government itself remains cautious about the performance of the economy. Mr Nicolas Sarkozy, budget minister, said this week that gross domestic product was likely to contract by 1 per cent this year, instead of the 0.8 per cent decline forecast last month at the launch of next year's budget. He maintained the government's forecast of 1.4 per cent growth in GDP next year.

French industrialists also expect recovery in 1994, but at a slower pace. A forecast by the CNPF employers' organisation, based on a large-scale survey of member companies estimates growth of 1 per cent in 1994. The industrialists in the survey said they expected recovery would be slow.

The CNPF said that a reduction in short-term interest rates to between 5 and 6 per cent, from their current level of about 7 per cent, was possible and necessary for economic recovery next year.

Yeltsin's anti-corruption chief plans to step down

By Leyla Boulton in Moscow

THE head of President Boris Yeltsin's anti-corruption commission yesterday said he was quitting and warned Russia's leaders not to miss a rare chance to tackle corruption.

Mr Andrei Makarov, a prominent lawyer who plans to run for parliament, said he wanted to devote his time to politics. The recent appointment of Mr Andrei Kasanov as a new "honest and competent" prosecutor-general after the suppression of the parliamentary uprising had also removed the need for the extraordinary commission, he said.

But friends say the real reason for his departure is that he

is pessimistic about the prospects for fighting corruption, and believes there are too many high-placed officials having a vested interest in seeing his commission disbanded.

The commission was set up this summer after Mr Alexander Rutskoi, then vice-president, accused several ministers and close presidential aides of corruption.

Mr Makarov rejected suggestions that his commission had settled political scores for Mr Yeltsin, saying that it had been created because the former prosecutor-general, Mr Valentin Stepanov, had been doing a one-sided job on behalf of Mr Yeltsin's enemies.

The commission's work

resulted in the sacking of Mr Victor Barannikov, security minister, and of Mr Andrei Dumayev, first deputy interior minister. Mr Barannikov was not among those accused by the vice-president, whom he later joined in the occupation of parliament.

While clearing the names of Mr Vladimir Shumilko and Mr Mikhail Poltoranin, two close presidential aides accused by Mr Rutskoi, the commission also accused the vice-president himself of being "associated" with a Swiss bank account.

Before he leaves his post, Mr Makarov will submit proposals for a strategy to fight corruption relying heavily on economic reforms.

THE FINANCIAL TIMES
Published by The Financial Times
(Europe) GmbH, Nibelungenplatz 3,
60318 Frankfurt am Main, Germany.
Telephone: ++49 69 136 630. Fax: ++49
69 596448. Telex: 416193. Represented by
Edward Hugo, Managing Director,
Printer: DFM Druck-Vertrieb und
Marketing GmbH, Admiraal-Roosendaal-
Strasse 1a, 63263 Nieuw-IJssenburg (owned
by Hürthgen International).
Responsible Editor: Richard Lambert,
c/o The Financial Times Limited,
Number One Southwark Bridge,
London SE1 9HL, UK. Shareholders of
the Financial Times (Europe) GmbH
are: The Financial Times (Europe) Ltd,
London and F.T. (Germany)
Advertising Ltd, London. Shareholder
of the above mentioned two companies
is: The Financial Times Limited,
Number One Southwark Bridge,
London SE1 9HL. The Company is
incorporated under the laws of England
and Wales. Chairman: D.C.M. Bell.

FRANCE
Publishing Director: J. Kelly, 168 Rue
de Rivoli, F-75004 Paris Cedex 01.
Telephone: (01) 4297-0621, Fax: (01)
4297-0620. Printer: S.A. Nord Editeur,
1521 Rue de Calais, F-93100 Rosbosc
Cedex 1. Editor: Richard Lambert.
ISSN: ISSN 1148-2753. Commission
Paritaire No 67808D.

DENMARK
Financial Times (Scandinavia) Ltd,
Vimmelskaftet 42A, DK-1161
Copenhagen. Telephone: 33 13 44 41,
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NEWS: THE AMERICAS

US aims to reduce hard-core drug use

By George Graham
in Washington

THE Clinton administration yesterday unveiled a new drug control policy that it said would concentrate the government's efforts on reducing hard-core drug use, instead of curbing casual use.

Mr Lee Brown, director of the White House's office of national drug control policy, said hard-core users not only accounted for most of the con-

sumption of such drugs as cocaine or heroin, but also caused most of the social disruption and violence linked to drugs. The policy would also aim, Mr Brown said, more at the treatment of drug use as a medical problem, and not just on law enforcement.

"We must be prepared to focus as never before on solutions to the problems of heavy drug use from both the criminal justice and public health perspectives," he told the Sen-

ate judiciary committee yesterday in presenting his new interim strategy.

Nevertheless, Mr Brown firmly rebuffed those who have called for the legalisation of some drugs as a better way of tackling the drug problem. "The administration is, without any reservation, opposed to the legalisation, decriminalisation or medicalisation of illegal drugs," he said.

The new policies have already come under fire from

both sides of the debate. Senator Orrin Hatch, a Utah Republican, accused Mr Clinton of a "tragic abdication of leadership" and "slipping inexorably into the old permissiveness."

But Mr Kevin Zeese of the Drug Policy Foundation, an institute advocating drugs reform, complained that the administration might talk about increasing the emphasis on treatment, but was still devoting most money to law enforcement.

"This so-called strategy still gives law enforcement a two to one advantage in funding. That is not change," Mr Zeese said.

The US has spent \$38.5bn on the "war on drugs" over the past four years but the drug use statistics suggest this money has done little either to control supplies of narcotics coming into the country or to curb demand among users.

The administration has found it hard to persuade Congress to shift money away from

some older programmes and towards its new initiatives.

Mr Brown said the new programme would expand the US's capacity to treat drug addicts and compel convicted criminals to complete treatment, with spending concentrated on inner cities.

Efforts to deter first-time drug use would target inner-city youths, children and pregnant women and would include under-age alcohol abuse as part of the larger problem.

Scandal opens the way for Brazil reform

IT IS already being called "Corollor 2". What began as wild allegations from a former government official have ignited Brazil's biggest corruption scandal since last year's resignation in disgrace of President Fernando Collor.

The scandal broke when the magazine *Veja* published an interview with Mr José Carlos dos Santos, until last year a senior official in the government's budget department. Mr Santos claimed 29 politicians - including four senators, three state governors and five former and acting government ministers - were involved in the corruption scheme.

This allegedly channelled "fees" from construction companies to scheme members, many of whom sat on the congressional budget committee, in return for their approving building projects in the annual budget.

The allegations were seized on by Brazil's press, which has adopted a campaigning and moral tone since playing a leading role in Mr Collor's downfall. In Brasília the ensuing furor led to two days of confusion in the government and threatened to disrupt a review aimed at simplifying and modernising the constitution.

A special parliamentary inquiry, which started work yesterday, has 45 days to investigate the allegations. It can call any witnesses and gain access to private bank accounts.

"They will find some very nasty things. Probably about 10 of these names are under suspicion, of which two or three are big names," said one senator.

Mr Santos is an unusual witness. He is the main suspect in the investigation of his wife's murder and is under arrest for possession of forged US dollars and alleged drug offences. But, during his time in the budget department from 1970, he was widely respected for his knowledge of budget procedure.

Proving that the scheme existed may be difficult. "But he knows exactly where the bodies are buried," said one congressional aide.

Claims of corruption in Brazil's Congress may raise few eyebrows. But apart from isolated and often peripheral cases, only a few such allegations have surfaced in public. "Everyone knew this was going on, except no one dared say it," said Mr Francisco Gros, a Rio de Janeiro-based banker.

The problem of political corruption is deep-rooted in Brazil. Because the party system is weak, individual politicians, often with strong links to sectors such as the construction industry, are expected to spend, or promise spending, in order to win election.

The country's legal system is also seen as too ineffective and poorly staffed to pursue cor-

rupt individuals through the courts.

Congress has yet to show it can tackle its own weaknesses and admit any of its members are corrupt. "The fire is getting very close," Mr Gros said.

The scandal has broken at a crucial time for Brazil, which started a constitutional review two weeks ago. Political leaders say the inquiry can run in parallel with the review, but several congressmen admit privately that the review is threatened. "With so many problems, I don't think Congress will have the necessary will to proceed," one said.

The crisis poses a problem for the government, which hoped the review would allow important economic changes to Brazil's 1988 nationalist, utopian constitution, with its barriers to

Angus Foster on the possible spin-off from corruption allegations

foreign investment in key sectors.

But it also presents an opportunity. According to government officials, one constitutional weakness is that Congress has too much power and the executive is often helpless to implement policy. With Congress weakened by the corruption allegations, and worried about further tarnishing to its public image, some analysts say the government can take the initiative.

Mr Fernando Henrique Cardoso, finance minister, is due to meet President Itamar Franco today and seek permission to make use of this opportunity. Mr Cardoso hopes to announce a new phase in the country's privatisation programme, already delayed by several weeks, and combine it with a package of fiscal measures.

He wants to try to eliminate this year's budget deficit of \$6bn (\$3.8bn) and balance next year's budget, which otherwise could be \$25bn in deficit. A big budget deficit would prolong Brazil's inflation agony; annualised price increases may run at nearly 2,000 per cent.

Mr Cardoso is thought to be seeking a new upper tax bracket of 35 per cent, a widening of the tax on financial transactions and quicker collection of taxes on tobacco and alcohol.

This package is likely to raise only about \$6bn in 1994 and business groups in Brazil, as well as the country's foreign creditors, will be looking for widespread spending cuts too. After listening to Mr Cardoso's promises of firm action since he took office in June, the groups are impatient for change.

Envoys call for broader Haitian government

US and United Nations envoys are pressing Mr Robert Malval, Haiti's pro-democracy prime minister, to include ministers loyal to the military in an expanded government, an aide to ousted President Jean-Bertrand Aristide said yesterday. Reuter reports from New York.

The aide said the US Ambassador to Haiti, Mr William Swing and UN special envoy Dante Caputo want Mr Malval to sign a communiqué saying he will "expand" his government if military leader Lt Gen Raoul Cédras and Port-au-Prince Police Chief Michel François step down.

Their resignations are called for in the peace accord signed by Gen Cédras and the democratically elected President Aristide on New York's Governors Island last July 3.

The refusal of the two men to resign has led to a showdown between Haiti's military rulers and the UN with an oil and arms embargo reimposed and US and other warships patrolling waters off the Caribbean country.

The Aristide aide said that Mr Malval has so far not agreed to sign the communiqué, presented to him Tuesday at a meeting with the two envoys. He has informed Mr Aristide of the plan, the aide said.

The aide said Aristide supporters were worried that such a "compromise" would in effect

make the Governors Island accord largely meaningless because including military supporters in key positions would prevent Mr Aristide from ending the military's hold on the country.

It was not specifically known what ministries pro-military allies would be given if Mr Malval "expanded" his government.

But Mr Evans François, the police chief's brother who is an adviser to Gen Cédras, told the Los Angeles Times on Tuesday that the military wanted its allies in control of the ministries of defence, interior, social welfare and information in a government of national reconciliation.

"Malval is under intense pressure to sign the communiqué," the Aristide aide said.

The aide said the communiqué that Mr Malval has been asked to sign for the military to honour the Governors Island accord and for a law to be passed banning paramilitary groups from owning guns.

The aide said a key paragraph in the proposed communiqué would have Mr Malval say: "As far as I am concerned as head of government, if this general plan is implemented, I am prepared to further expand my government. I will be looking for individuals whose integrity and honesty is unquestioned."

Europe seen as greatest obstacle to successful trade deal

Christopher cautions EC over Gatt

By Jurek Martin in Washington

MR Warren Christopher, the secretary of state, reminded western Europe yesterday that the US attaches as much importance to economic co-operation as it does to improving the security partnership.

In a speech prior to leaving on a trip to Hungary, Russia, the Baltics and three other former Soviet republics he identified the European Community rather than Japan and Asia as presenting the greatest obstacle to a successful conclusion of the Uruguay Round of trade negotiations by the December 15 deadline.

He acknowledged that none of the necessary trade-offs, especially in

agriculture, would be easy but added: "To our friends in Europe, let me restate that preserving common security across the Atlantic requires us to focus not only on Nato" but on the trade round, where the global economic consequences of failure would be "very severe and dangerous".

Mr Christopher, under attack at home for his stewardship of US foreign policy in Somalia, Haiti and Bosnia, caused consternation in Europe at the weekend when he said Washington had for too long been too "Eurocentric" and that western Europe should realise it was no longer "the dominant area of the world".

While clearly nettled by recent European criticism, the secretary of

state may also have been sending a call to the EC that he expected support from the continent to help sustain the US global role. At a dinner in Washington on Tuesday night, Mr Egon Klepsch, president of the European Parliament, agreed that Europe needed to demonstrate such support.

Mr Christopher also warned China that it might be difficult to justify extension of most-favoured-nation trading status next summer unless Beijing improved its human rights record, trade practices and co-operation on nuclear non-proliferation.

Pressure from the US Congress was such, he said, that it was vital China demonstrated such progress in the coming months rather than next

spring, "so that there's not a huge build-up of pressure for us to lift the MFN".

However, attempts by Congress to impose more immediate controls over foreign policy appeared yesterday to be abating. The Senate easily defeated one Republican amendment that would have prohibited US troops from serving under the command of other nations in UN peacekeeping operations. It also appeared that Senator Bob Dole's proposed limits on any military intervention in Haiti was no longer a threat. The Republican leader, who has admitted that if he were president he would oppose his own amendment, was trying yesterday to modify his proposal.



Christopher: nettled by criticism

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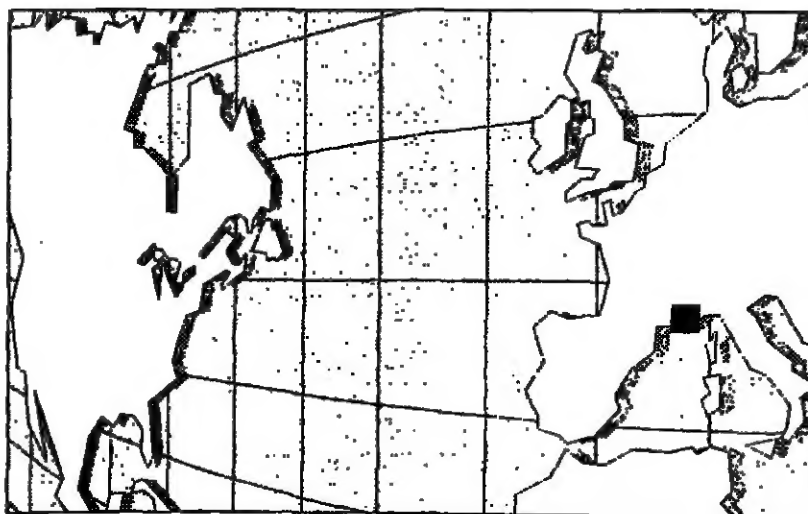
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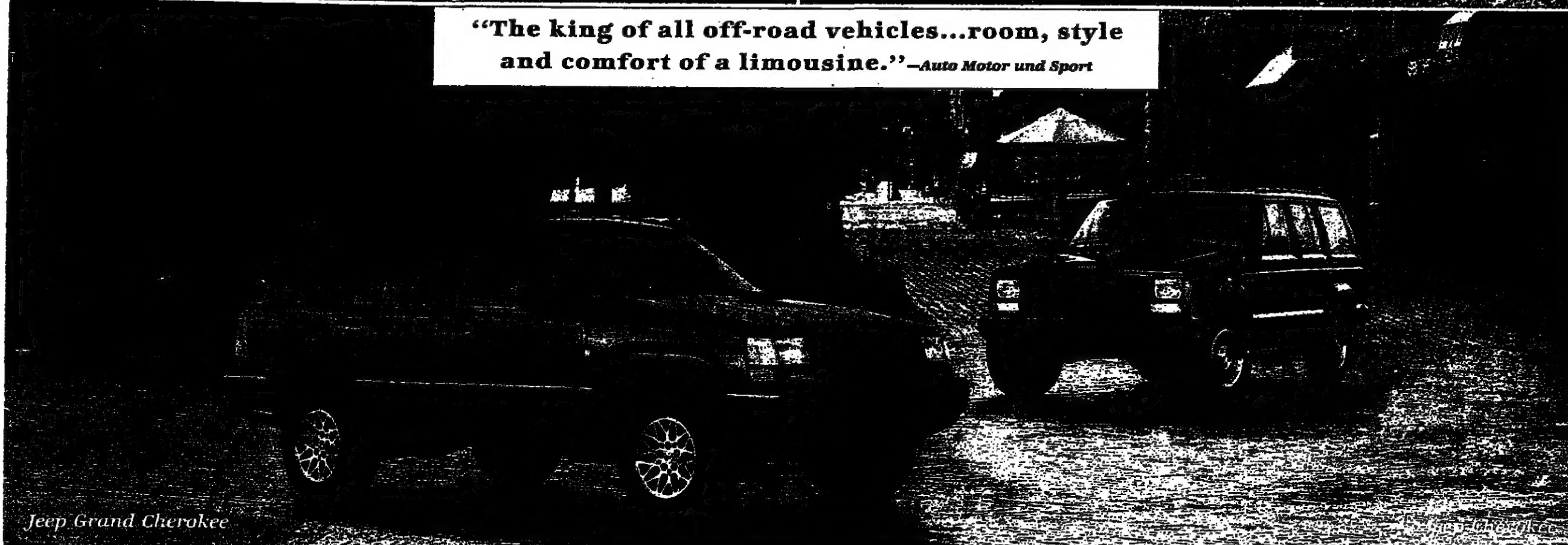


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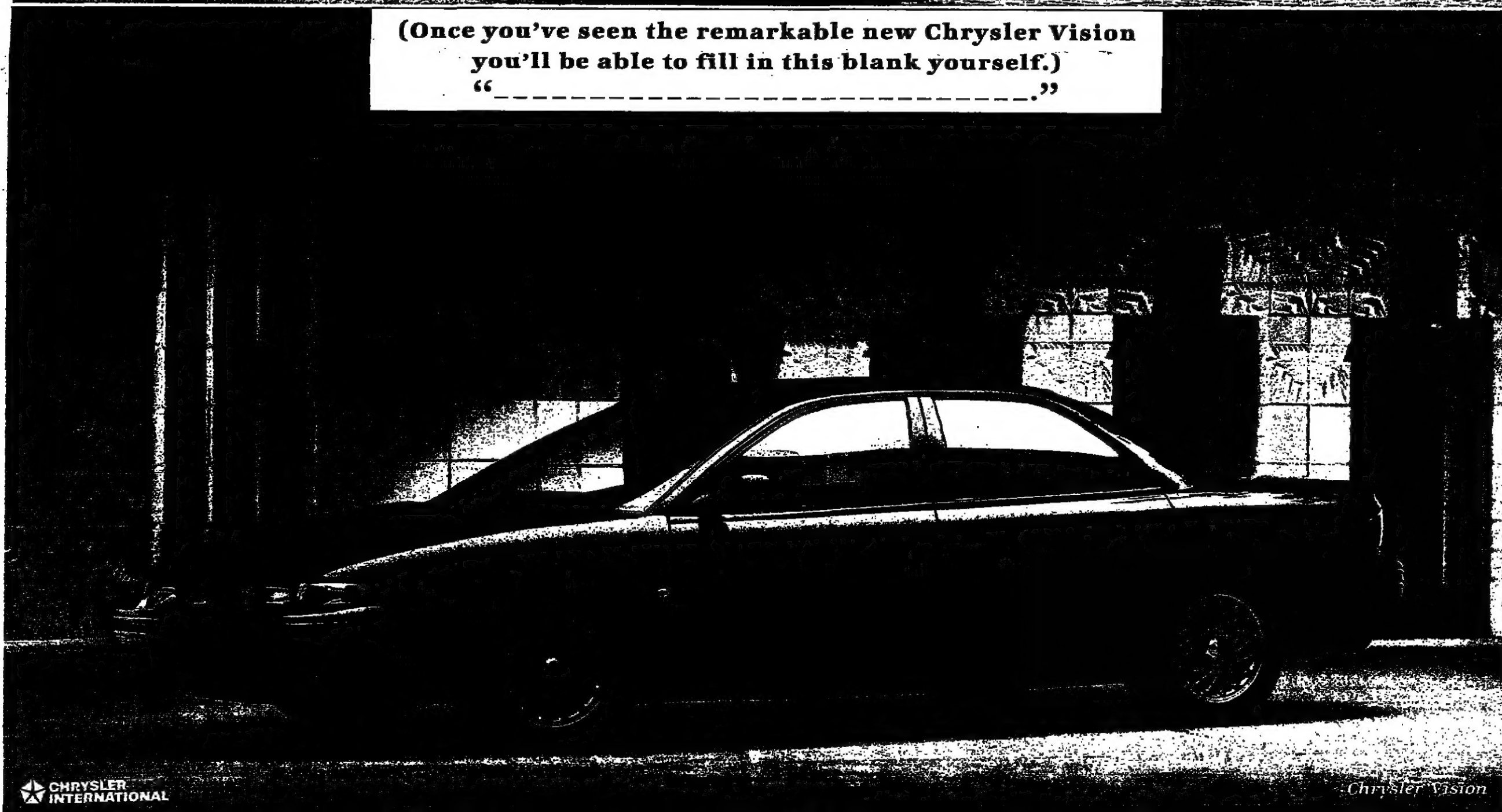
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The serial numbers of the U.S.\$7,500,000 principal amount of the Bonds drawn for redemption in accordance with Condition 6(b) of the Bonds are as follows:

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27	1019	1977	2851	3611	4389	5194	6021	6996	7581	8415	9228	10148
34	1020	1981	2853	3614	4398	5202	6024	6997	7584	8418	9231	10150
37	1023	1984	2859	3623	4403	5215	6024	6996	7596	8421	9230	10151
43	1026	1989	2862	3626	4411	5219	6025	6974	7597	8423	9230	10151
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India records sharp increase in exports

By Stefan Wagstyl
in New Delhi

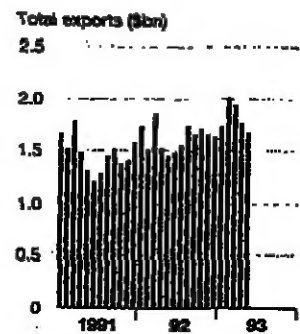
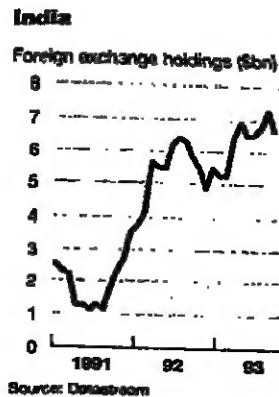
INDIA'S exports rose 24.3 per cent to \$8.7bn in the five months to August, raising hopes the country's wide-ranging economic liberalisation is starting to produce results.

The sharp rise in the first five months of the 1993-94 financial year contrasts with a sluggish 3.6 per cent rise in 1992-93, according to the government's monthly economic report published yesterday.

The strong export performance is helping to push India's foreign exchange reserves to record levels: at the end of September they stood at \$7.5bn compared with just over \$1bn in mid-1991 when the government of Mr P V Narasimha Rao, the prime minister, launched its restructuring programme amid a balance of payments crisis.

The reserves are so high that India, which was bailed out in 1991 with loans from the International Monetary Fund, has for the moment delayed entering into a new medium-term IMF borrowing programme.

Weak imports are contributing to the reserve position. Imports in the first five months of 1993-94 fell 3.7 per



cent to \$8.9bn, leaving a trade deficit of just \$355m, against \$2.3bn for the same period last year.

The decline in imports reflects continuing weak demand in heavy industry, hit by a fall in sales to state-owned enterprises, which are suffering because subsidies are being cut under the reform programme. Meanwhile, with industrialists uncertain about the long-term effects of liberalisation, private sector demand is showing little sign of recovering. Industrial production in the first three months of the financial year rose 0.2 per cent. Economists puzzled by the

apparent failure of export growth to generate more overall industrial growth believe the reason may be that the industrial production statistics exaggerate the importance of large companies in heavy industry; much of the export growth has come from small companies in industries such as garment-making, jewellery and engineering components.

Indian forces fired tear gas and swung truncheons yesterday to disperse Muslim demonstrators supporting insurgents besieged inside Kashmir's holiest Islamic shrine, A.P. reports from Srinagar.

Query over Pakistan's quiet revolution

Architect of reform hopes Bhutto will safeguard his work, Farhan Bokhari writes

BEARDED men in traditional clothes and armed with sophisticated assault rifles stood guard outside the parliament building in Islamabad this week, to protect their powerful tribal leader who was about to take oath as a member.

International Monetary Fund and the World Bank kept him away from his country as well as its influences. When he was appointed Prime Minister in July he brought a fresh insight

For the first time in Pakistan's history, the new government is left with virtually no patronage that could be used to attract new political allies or to tame critics

to many of the chronic problems which previous governments failed to resolve because of reluctance to confront powerful interests.

During his brief tenure, Mr Qureshi moved fast to introduce unpopular measures such as taxing previously immune and politically powerful rich landowners.

He also began a large-scale campaign to recover outstanding bank loans and unpaid utility bills, changed the tax col-

lection network to increase government revenues and eliminated special government quotas which allowed elected politicians to allot valuable government land at throwaway prices.

He also finalised a three-year tariff reform programme which aims to eliminate at least some of the smuggling activities, estimated to be worth at least Rupees 100bn (£2.1bn) a year.

As a result, for the first time in Pakistan's history, the new government is left with virtually no patronage that could be used to attract new political allies or tame critics.

"The most important reforms aim at good governance. I feel that this country has been run previously by governments that have had almost feudal characteristics. It's not the fault of any particular government, it's the system that has evolved in that way, and public resources, public assets, have been used as a means of political patronage," Mr Qureshi said in an interview.

If "we've got to build a healthy democratic system, then the people must expect that their rulers are in fact their servants rather than their authoritarian rulers," he added.

Mr Qureshi remains hopeful that his programme will



MOEEN QURESHI: his programme has been as unusual as his background

remain on course, largely because both Ms Bhutto and Mr Nawaz Sharif - the two front-runners in the electoral race - had assured him they agreed with the broad thrust of the plans.

In addition, continuing with the reform programme would allow future governments to benefit from larger revenues while laying the responsibility for unpopular measures on Mr Qureshi's shoulders.

The reforms have also been acclaimed by the IMF and the World Bank. One sign of that acknowledgment has been the

recent approval of a \$277m (£183.4m) standby IMF loan.

Mr Qureshi is confident the new government can also get up to \$1.2bn in extra IMF funding over the next three years if a commitment is made to keep the reforms on track.

Ms Bhutto's government has yet to come out clearly on its future economic policies. Some officials are concerned over her statements on the campaign trail that she would review the new agriculture taxes.

But it is not yet clear if such a policy reversal, which may well have been part of the electoral rhetoric, could be made in face of criticism from Pakistan's multilateral and bilateral aid donors.

Mr Qureshi hopes public opinion will play an important role in protecting his initiatives.

"I don't think that some of our fundamental reforms, particularly in so far as good governance is concerned, can fall apart, because they are really based on awakening the conscience of the people," Mr Qureshi declares.

"I believe that the Pakistani public is much more conscious and much more sensitive now about the misuse of power and authority in government and about its use for political purposes."

World Bank set to publicise Nigeria finances

By Paul Adams in Abuja, Nigeria

THE WORLD BANK is to make public for the first time a detailed analysis of Nigeria's government finances after the two-week visit of experts which began on Tuesday.

But talks on the medium-term economic programme leading to possible debt relief remain suspended until the government brings oil revenues and public spending under control.

The team will present to Nigeria's interim government a post-mortem on the eight-year structural adjustment programme (SAP) and a proposed strategy to offset the fluctuating value of oil exports, which account for more than 80 per cent of its foreign exchange.

New rules at the bank will allow publication of these reports by December. A 1991 report by the World Bank's Nigeria office exposed the lack of accountability in government finances but was not published.

The SAP stalled half-way to a liberalisation of trade and industry but failed to boost non-oil exports, while the standard of living and the value of the naira plunged and inflation

reached 70 per cent due to diversion of government oil revenue.

The 1993 budget sought to cut Nigeria's debt service, which is equivalent to 30 per cent of earnings, and to produce a budget deficit of around \$1.4bn.

However, the drop in the oil price has worsened the balance of payments and the budget deficit was estimated at \$1.5bn by the end of June.

Arrears on payments to the Paris Club of creditors have risen to about \$4bn and negotiations in April with the International Monetary Fund over a medium-term programme ended in failure.

Mr Ernest Shonekan, the head of the new interim government, has pledged a new era of accountable government and a purge on corruption.

However, since he took office there has been no more disclosure of public finances than under the former president, General Ibrahim Babangida, who retired at the end of August.

Nigeria is no nearer to a deal with the official creditors than in January, when Mr Shonekan led the military regime's bid to reschedule its \$27bn external debt.

China stresses 'strong desire' for HK accord

By Simon Holberton and Alexander Nicol in Beijing

CHINA yesterday stated its strong desire to reach an agreement with Britain on Hong Kong, as negotiators met in Beijing for the 14th round of talks on the colony's political development.

Mr Lu Ping, director of Chi-



Lu Ping: "We want an accord - it's good for Hong Kong as well as China and Britain"

nese government's Hong Kong and Macao Affairs Office, said in an interview with the Financial Times: "We very much want to have an agreement; it's good for Hong Kong as well as China and Britain."

China recognised that both sides would need to make concessions to reach an agreement. "In diplomatic talks there should always be mutual

compromise," he added.

British and Hong Kong officials would not comment on the latest round of negotiations which are due to end today. But they have seen little evidence of a change in the Chinese position indicating a desire to reach swift agreement.

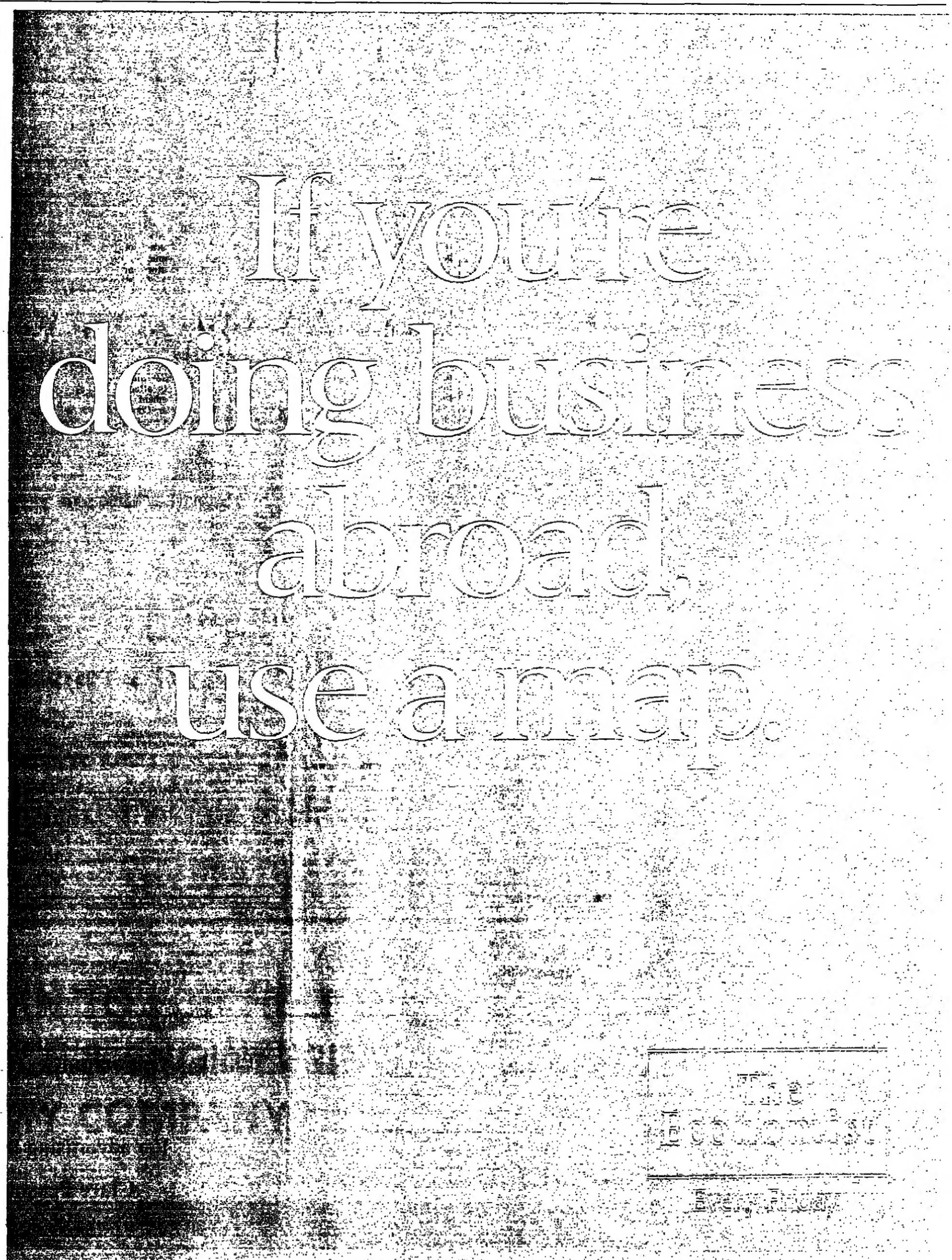
Mr Lu said wide differences remained on both main areas of dispute: the so-called "functional constituencies" which make up a part of Hong Kong's 60-strong Legislative Council, and an "election committee" that will elect 10 members in 1995.

He attributed the lack of progress to a fundamental difference of approach. Britain wished to secure agreement on the "through train," a guarantee China would not dismantle pre-1997 political arrangements after its takeover in that year, before agreeing to the details of the 1995 polls.

China, on the other hand, wanted to settle the details of the election arrangements in 1994 and 1995 before agreeing to the "through train."

"The reason we agreed to hold talks is precisely because we want to have a 'through train'," Mr Lu said. "We are fully for it but our desire is that we must first talk about the train itself. If we do not agree on that, the train cannot go through."

Mr Lu said China planned no changes in Hong Kong's basic liberties, such as freedom of the press, the rule of law and freedom of religious belief.



NEWS: INTERNATIONAL

Government loses Japan history case

By William Dawkins in Tokyo

THE JAPANESE education ministry went too far in exercising a controversial legal right to censor school history textbooks, the Tokyo high court ruled yesterday.

The court awarded ¥300,000 (£1,986) compensation to a professor at the former Tokyo University of Education, Mr Saburo Ienaga, who had challenged government changes to parts of a history text he wrote 31 years ago.

His book, a New Japanese History, had offended the education ministry with its blunt accounts of Japan's aggression in Asia. A series of legal battles over the years by Mr Ienaga, 80, have become a symbol of Japan's uncomfortable internal debate over its responsibilities in the second world war.

His campaign has been given wider relevance by the recent apologies by Mr Morihiro Hosokawa, the new prime minister, for Japan's war-time record. Mr Hosokawa's apologies have drawn bitter criticism from the nationalist wing of the opposition Liberal Democratic Party.

Mr Masatoshi Kawakami, the presiding high court judge, yesterday upheld the ministry's right to censor history textbooks, but said it had acted unreasonably in demanding that Mr Ienaga rewrite three out of eight passages cited in the case. An account of the 1937 Nanking massacre was among the passages that should not have been censored, he said. Mr Kawakami upheld the education ministry's right to change five other passages, on the grounds that it was "not recommendable" for a textbook to contain negative judgments about Japan "when such negative judgments are not established".

Japan's supreme court apparently put an end to Mr Ienaga's campaign only last March, when it ruled that the education ministry had the right to ask for changes or disqualify textbooks from school lists on "reasonable grounds".

Yesterday's ruling showed "some progress", said Mr Ienaga. However, he said he would take the case, his third, on to the supreme court, Japan's top legal authority.

Nomura investor sues executives

By Emiko Terazono in Tokyo

A SHAREHOLDER of Nomura Securities yesterday filed a suit against its executives for losses incurred in allegedly improper sales of its investment products. Corporate executives are facing a rush of lawsuits after changes to the Commercial Code eased costs for shareholder litigants.

Earlier, shareholders of Hazama construction company filed an action against its executives for ¥99m (£620,000). Executives at Janome, a sewing machine maker, are also being sued.

Mr Nobuo Kameda is demanding that 53 Nomura directors, including former executives, pay ¥23.5bn in damages to the brokerage house. He claims they are responsible for the brokerage's compensation to investors of losses from US mortgage backed securities.

Nomura posted ¥22.5bn in special losses due to compensation payments made to investors claiming risks in buying the products were not properly explained by Nomura sales staff. It is uncertain how far courts will back shareholders.

Israelis, Palestinians split on economic policy

By Julian O'Zanne in Jerusalem

DEEP divisions are emerging between Palestinians and Israelis over economic policy, the lifting of the Arab economic boycott of Israel and the trade regime which will exist between the two sides.

At the heart of the disagreement is an Israeli demand that the Palestinians harmonise their tax and customs regime with the high levels in force in Israel, which reflect Israel's protection policies and the government's need to raise substantial revenues to meet its public expenditure.

Israel is hoping for the creation of a customs union which would develop into an economic confederation between Israel, Jordan and the Palestinian entity. The Palestinians firmly reject the idea of a customs union.

They also believe it is too

Israel and Palestinian negotiators resumed detailed talks on implementing a framework peace accord yesterday focusing on Israel's security demands and Palestinian calls for release of up to 12,000 political prisoners, Julian O'Zanne writes.

At the same time, Mr Dennis Ross, US co-ordinator for Middle East peace talks arrived in Jerusalem from Jordan for talks with Mr Yitzhak Rabin, Israel's prime minister and Mr Shimon Peres, Israeli foreign minister.

Mr Ross is touring the region to help consolidate the accord, to prepare for an early November visit by Mr Warren Christopher, US secretary of state, and to try to broker progress on stalled talks between Israel and Syria. Before leaving Amman he said the US could support secret talks between Jerusalem and Damascus to break the deadlock.

Mr Rabin, however, said yesterday Syria had yet to offer a version of peace which he could trust and Syrian newspapers said Mr Ross' visit to Damascus today was unlikely to provide a breakthrough.

early to call for the suspension of the Arab boycott against Israel, which Jerusalem feels it should have in return for taking a big step towards peace, and say a more comprehensive regional agreement and details of the Palestinian interim

ters, and Mr Dan Proper, President of the Israeli Manufacturers' Association.

The Palestinians feel that a customs union would drag them into protectionism and excessive taxation, making goods too expensive for Palestinians who have a per capita income less than 20 per cent of Israel's.

Mr Abdallah said the Palestinians wanted the terms of trade between the occupied territories and Israel to be changed to free and open movement of goods and people, and more competition. The Palestinians opposed a customs union because of the different structure and priorities of the two economies, and wanted to develop freely their external trade relations. Israel, he added, would have to work hard to reduce its costs of production.

The Israelis have warned

that unless there is a customs union Israel would have to consider border controls to stop the movement and smuggling of cheap goods from the Palestinian economy into Israel. "If you create different levels of customs and taxes you will be creating borders and controls where the difference will have to be paid and where Israel would have to stop the free flow of goods," Mr Proper said.

One area affected by the dispute is agriculture. Mr Proper said a three-year sliding scale of quantitative curbs on exports of Palestinian agricultural produce into Israel would have to be brought in, especially in eggs and poultry, livestock and some vegetables, to protect Israeli producers.

The European Community could help to provide open markets for Palestinian agricultural products during the three-year period while protec-

tion was phased out. Mr Abdallah warned that Israeli curbs on Palestinian agricultural exports would provoke reciprocal protection arrangements on industrial products.

The Palestinians had decided to introduce the Jordanian dinar as legal tender in the Palestinian entity to insulate it against the depreciation of the Israeli shekel and against Israeli inflation, currently 16 per cent.

They wanted to pursue a "liberal" monetary account, similar to the Ecu, as a way of issuing bonds to mobilise Palestinian financial resources, but believed it was too early to re-introduce the Palestinian currency as a means of exchange.

Mr Proper said that once economic issues were solved, a Middle East trading bloc of 200m people lay ahead.

Philippines sell-off continues

By Jose Galang in Manila

THE Philippines government is determined to pursue privatisation plans for Petron Corporation, the state-owned market leader in the petroleum refining and marketing business, despite opposition from a number of Congress members.

Philippine National Oil Company (PNOC), the state-owned energy group, has issued invitations for tenders for 40 per cent of Petron, which is among the most attractive assets the government has lined up for privatisation.

British Petroleum, Aramco of Saudi Arabia and Petronas have all shown an interest.

Plans for privatisation date back to 1986 but little progress has been made on most of the main items, although last year the auction of 67 per cent of Philippine Airlines was successful.

Mr Romeo Bernardo, finance under-secretary, said this week that the deadline for Petron bids has been set for December 15. The hurdle price for the bidders will be determined and announced only on the day the bids are to be opened.

PNOC is looking for a "strategic partner" which, officials say, must be capable of putting in "added value" in Petron in the form of technical expertise and access to petroleum supply.

Petron controls 40 per cent of the Philippine market for petroleum products, with sales reaching Pesos 40.7bn (£974m) last year, which made it the country's biggest corporation in terms of sales.

But Petron's profits last year of nearly Pesos 1.47bn and total assets of some Pesos 15bn has led to strong criticism by some members of Congress who feel the government must maintain its control of such a strategic industry.

PNOC has explained it would maintain holdings at 40 per cent, after a planned 20 per cent public offering in early 1994.

This, PNOC officials said, should be enough to provide

government with an influential presence in the industry.

Investors who qualify for the bidding will be required to submit technical and financial proposals. They are also expected to commit themselves to a long-term arrangement with the Philippine government on Petron.

Petron is one of several assets the government wants to privatise within the next six months, an exercise expected to generate some Pesos 18bn. The others include: Manila Hotel, National Steel and Philippine Shipyard and Engineering Corporation (Philseco).

Plans are to sell off 30 per cent of Manila Hotel and 65 per cent of National Steel.

Commonwealth talks to stress human rights

By Michael Holman in Limassol

COMMONWEALTH leaders today open what is widely regarded as one of the most critical conferences in its modern history, if the association's survival is to be assured.

The need for a renewed commitment to human rights and good governance will be stressed by Chief Emeke Anyaoku in an address designed to give the 50-member organisation greater purpose and credibility.

The official agenda for the five-day session, attended by 36 heads of government, covers global political and economic issues, including the Gatt talks.

South Africa will continue to feature, with the Commonwealth planning a substantial programme of assistance ahead of next April's scheduled multi-party elections and to help monitor the poll itself.

Mr Thabo Mbeki, a senior member of the African

National Congress executive, is expected to attend as an accredited observer.

The delegates were also told last night that Ms Benazir Bhutto, Pakistan's newly-elected prime minister, plans to attend the talks.

The opening has been overshadowed by the angry reaction of some Greek Cypriots to Queen Elizabeth and what is seen as partisan British diplomatic involvement in the dispute over the Turkish Cypriot-controlled north of the island.

President Glafcos Clerides of Cyprus yesterday played down the protests. Mr Douglas Hurd, UK foreign secretary, held talks with Mr Clerides and Mr Rafi Denktash, the Turkish Cypriot leader.

British officials declined to elaborate on what they said were private talks, only saying they had been useful. But Greek Cypriot sensitivity was illustrated when a press spokesman for the government stressed that the meeting had been at Mr Hurd's initiative.

UN claims Mozambique poll accord

UNITED NATIONS secretary general Boutros Boutros Ghali said yesterday he had achieved a breakthrough in revitalising the flagging peace process in Mozambique, Reuters reports from Maputo.

Mr Boutros Ghali said at the end of a four-day visit that an accord had been reached on the composition of a commission to supervise elections in October next year.

The commission would have 10 members

from the government, seven from Renamo and three from other opposition parties. An independent chairman would be chosen by the 20 commission members.

A draft electoral law will be approved by the cabinet before the end of this month and by parliament before the end of November, Mr Boutros Ghali said.

He said disputes delaying demobilisation of the army, Renamo guerrillas and paramilitary forces had also been resolved.

"A new calendar on the date of demobilisation will be approved before the end of this week," he said.

Mr Boutros Ghali said a compromise had also been reached on the composition of three of the joint commissions dealing with aspects of the peace process.

The commission to oversee liaison between the government and Renamo-controlled areas will be chaired jointly by the government and Renamo, in rotation.

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Minister of Industry & Trade, Czech Republic.

David Holmes
Director of Government & Industry Affairs, British Airways plc, London.

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Tamas Ivanyi
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The Rt Hon Francis Maude
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Edgar McCarthy
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Alessandro Ovi
Director of International Relations, IRI, Rome.

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Robert M. Worcester
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Salvatore Zecchini
Assistant Secretary-General, OECD, Paris.

TRANSLATION

English/French/French/English simultaneous translation will be available throughout the conference.

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INVITATION FOR THE SUBMISSION OF SEALED BIDDING OFFERS FOR THE ACQUISITION OF MEVIOR'S SHARES HELD BY ELEVME S.A.

SUMMARY INFORMATION ON MEVIOR S.A.

NAME: MINING AND INDUSTRIAL MINERALS - MEVIOR S.A.
LOCATION: ASSIROS, Prov. Thessaloniki
ACTIVITY: MEVIOR is now active in the production and marketing of:
○ Feldspar
○ Quartz
○ Silica sand
○ Quartzite
○ Wolframite

FINANCIAL DATA	
Based on Balance sheet Dec. 31, 1992	
ASSETS	
B. INSTALLATION COSTS	Dr. 60,512,981
C. FIXED ASSETS	
I. Intangible assets	56,613,972
II. Tangible assets	354,934,026
III. Participations	635,360
D. CURRENT ASSETS	
I. Inventory	85,995,324
II. Receivables	68,597,115
III. Marketable Securities	16,589,151
IV. Cash	12,201,799
E. INTERIM ACCOUNTS	1,138,956
TOTAL ASSETS	635,298,588
LIABILITIES AND EQUITY	
Share Capital	500,500,000
Investment Subsidies	237,187,548
Reserves	13,732,452
Retained earnings	(138,260,888)
Provisions	86,257
Short-term liabilities	17,473,285
Interim accounts	4,639,822
TOTAL LIABILITIES AND EQUITY	635,298,588

PROCEDURE (As per Greek Law 2000/91)

- Potential buyers are invited to receive, after signing a confidentiality agreement with ELEVME S.A., the Information Brochure describing MEVIOR's activities. Interested parties shall submit a binding offer, in a sealed envelope, for 383,980 shares (out of a total of 500,500 shares). It is indispensable that the offer be accompanied by a guarantee letter issued by a Bank legally operating in Greece for the sum of 25,000,000 Dr. which represents 10% of the starting price of the public auction. The guarantee letter, draft of which can be obtained from ELEVME S.A., shall be submitted enclosed in a separate envelope marked "Guarantee Letter".
- The offers shall be submitted on Monday, 22nd November 1993 between 8 a.m. and 12 noon to the notary public of Langada (Thessaloniki prefecture), Stavros Anastasiadis, 33 Louren St. 2nd by-road, 1st floor, Tel. +30-54-255690.
- The offers shall be opened on the same day at 12.15 pm. The bidders may witness the opening of the offers.
- The starting price amounts to 850 Dr. per share i.e. a minimum total of 256,074,000 Dr. (Decision of Court of Appeal of Thessaloniki No 1187/1993).
- Expenses for publishing this invitation will be borne by the highest bidder.
- The bidders should also submit a letter concerning:
 - Their intentions in respect of maintaining or not or increasing the number of job positions.
 - Any other proposals for further developing the company's activities such as new investments, increasing of exports etc.

To obtain the Information Brochure as well as additional data on MEVIOR, those interested can apply to the liquidators of ELEVME S.A., 18 Kifissias, Marousi, TEL: (01) 8643520 and (01) 8643528, FAX: (01) 8645627.

Marousi, October 15th, 1993

THE LIQUIDATORS

THE DAVID THOMAS PRIZE

David Thomas was a Financial Times journalist killed on assignment in Kuwait in April 1991. Before joining the FT he had worked for, among others, the Trades Union Congress.

His life was characterised by original and radical thinking coupled with a search for new subjects and orthodoxies to challenge.

In his memory a prize has been established to provide an annual study/travel grant to enable the recipient to take a career break to explore a theme in the fields of industrial policy, third world development or the environment.

The theme for the 1994 prize, worth not less than £3,000, is: CAN THE DEVELOPING WORLD BECOME RICHER WITHOUT THE DEVELOPED WORLD BECOMING UNEMPLOYED?

Applicants, aged over 35, of any nationality, should submit up to 1000 words in English on this subject, together with a brief c.v. and a proposal outlining how the award would be used to explore this theme further. Please argue your case from the viewpoint of a particular country or industry.

The award winner will be required to write a 1500 to 2000 word essay at the end of the study period. The essay will be considered for publication in the FT.

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Britain in brief



New blow to rail sell-off legislation

The UK government's troubled railways bill to privatise the network was dealt a fresh blow when the House of Lords, the upper chamber of parliament, backed a rebel Tory amendment by a 20 majority. Voting was 152 to 128 for a change proposed by Conservative former transport minister Lord Payton tightening protection for rail pensioners. This would force the transport secretary to get the written agreement of the pension trustees before significant changes were made to the fund. Ministers will now have to decide whether to seek to reverse the move when the measure returns to the lower chamber shortly.

Hull opens big fish market

Associated British Ports will today officially inaugurate England's largest fresh fish auction market in Hull after a £300,000 investment programme to bring it up to new, stringent EC standards. The government has funded about 20 per cent. The market - 60,000 sq ft of covered sheds - already has a throughput of 50,000 tonnes of fish a year and its rise has been phenomenal in the fish and ports industry. Five years ago Hull handled only 8,000 tonnes of fish a year.

New Ulster plan floated

The UK's Institute for Public Policy Research, the left of centre think-tank has recommended that Britain and Ireland should share sovereignty over Northern Ireland as a means of resolving the conflict there. In a new report published yesterday called "Northern Ireland: Sharing Authority", the Institute also recommends the drafting of a new constitution for the province and that the Royal Ulster Constabulary (RUC) should be replaced by a new security force. The report asserts "Northern Ireland cannot be legitimate, stable and democratic if it is solely British or solely Irish".

Footballer auctions medals

Football honours won by former England player Ray Kennedy were today sold at auction for £88,000. After commission, the 42-year-old ex-Liverpool and Arsenal star, who suffers from Parkinson's Disease, will receive more than £73,000. The highest price of £17,000 was paid for a plaque and gold medal awarded in 1971 when Arsenal won the first division championship and FA Cup. His 1977 European Cup Winners Medal went for £16,000.

Acas may levy charges

Acas, the independent advisory conciliation and arbitration service, announced it intends to impose charges on its clients from April 1 next year for conference, seminars, self help "clinics" to help small businesses and some of its advisory publications. But in a statement it added there were "no plans to charge for any other Acas activity as to do so would compromise Acas's impartial and independent approach". An Acas spokesman added that the charges were to cover costs and not to make a profit.

Chancellor faces tax plea from top retailers

Bigger than expected rise in retail sales but other signals point to faltering recovery

UK COMPANY DIRECTORS and top retailers yesterday warned Mr Kenneth Clarke, the chancellor of the exchequer, that significant tax rises in next month's Budget could jeopardise the fragile consumer recovery, write Peter Norman, Peter Marsh and Philip Stephens.

The chancellor was given the message in separate, private meetings with 20 retail chiefs and Mr Peter Morgan, director general of the Institute of Directors after news of a bigger than expected rise in retail sales volumes last month. Mr Clarke was told that confidence in industry was low and that many consumers were still wary of stepping up their personal spending.

The 0.5 per cent increase in retail sales in September compared with August was higher than expected in the City of London.

It was hailed by the Treasury as "being consistent with recovery". It pushed up prices on the London stock exchange to another record closing high, with the FT-SE 100 index of leading shares closing up 26.7 at 3,156.3.

However, in their discussions with Mr Clarke the retail executives urged the chancellor to treat the latest economic statistics with caution.

In a lunch in a London hotel organised by the British Retail Consortium, representatives from stores including J. Sainsbury, Tesco, Kingfisher, Burton and Storehouse told Mr Clarke a further increase in VAT in the November 30 Budget could lead to a dangerous fall in consumer confidence.

They said that much of the recent increase in sales volumes had been won only at the expense of much reduced profit margins. Mr Morgan told the chancellor of the exchequer he understood the Treasury's interest in a fiscal tightening to bring down the £50bn borrowing requirement.

However, a tax rise in the November 30 Budget, coming on top of the fiscal tightening of nearly £7bn already pencilled in for next April, would threaten faltering signs of recovery.

Mr Clarke's Budget deliberations were made no easier when the British Chambers of Commerce said in its latest quarterly survey that the rate of overall economic recovery slackened during the summer, largely because of faltering export markets.

Mr Christopher Stewart-Smith, the chambers' president, said there were good economic reasons for the chancellor to cut bank base rates by at least 1 percentage point from 6 per cent and give more help to exporters in general and small companies in particular.

The chancellor also had to face renewed protests from some Conservative MPs at Westminster about the planned imposition of VAT on domestic fuel due to enter force in the next financial year as part of the effort to cut the £50bn Budget deficit.

In a move which undermined the political risks for the chancellor of the exchequer if he seeks to extend VAT any further, six Conservative MPs signed an all-party motion demanding much greater com-

penetration for the elderly than envisaged by the government.

The consensus amongst the Conservative rank-and-file MPs is that any move to end VAT zero rating for items like food and children's clothing would risk a full scale rebellion which could easily overturn the government's 17-seat majority.

Mr James May, director-general of the British retail consortium, who attended the lunch with Mr Clarke, said the recovery was "fragile and patchy".

It was "imperative" that the treasury did not implement any extra VAT rises, especially in the sensitive period ahead of

the Christmas sales. Other people attending the lunch included Mr Keith Edelman, Storehouse chief executive, Mr John Hoerner, chief executive of Burton, Ms Rosemary Thorne, J. Sainsbury finance director, Mr David Reid, finance director of Tesco, Mr Nigel Whittaker, corporate affairs director of Kingfisher, and Mr David Melville, head of legal affairs at Argos.

Mr John Smith, the opposition Labour party leader, sought to exploit the discontent over domestic fuel by urging potential Conservative rebels to join Labour in overturning the extension of the tax during the finance bill which will follow next month's Budget.

Farming industry right 'on the edge'

By Alison Meitland

THE BRITISH FARMING industry stands "on the edge of a precipice" and could face the same fate as the miners unless it improves its public relations, landowners and farmers were warned at a conference yesterday.

Subsidies to farmers amounted to over £2bn a year and were set to rise to £2.5bn by 1995, a level that was unsustainable when the industry accounted for less than 2 per cent of the working population, said Mr Peter Pemberton, partner in Bidwells, the chartered surveyors and farm business consultants.

Addressing a Country Landowners' Association conference in Suffolk, southern England, on the future of farming, Mr Pemberton said there would be "a barrage of criticism" when farmers received large cheques this autumn paying them compensation for cuts in price supports and for taking land out of production under the Common Agricultural Policy reforms.

"We are heavily subsidised, politically unimportant and rightly or wrongly unpopular," he said. "It is important to understand what can happen when the country's goodwill and the government's support for an industry is lost. We can go the same way as the miners."

Even if subsidies did not disappear, they would become conditional on farmers protecting the countryside and possibly allowing public access to it, he said. Landowners had to drop their "siege mentality" and farmers had to stop anti-social practices.

"With the advent of set-aside, there can be no excuse for ploughing up footpaths," Mr Ian MacNicol, a landowner with a 4,000-acre estate in North Norfolk, said. "My own personal worry is that Europe and the European taxpayer cannot afford the present CAP policy and something has got to be done to bring down the cost."

Mr MacNicol said that a study commissioned by the Dutch government predicted



BURNHAM BEECHES, an ancient wood which inspired parts of A Midsummer Night's Dream by Shakespeare and Thomas Gray's famous Elegy, has been declared a National Nature Reserve. The Beeches, which border Dorneywood, the traditional country home of the chancellor of the exchequer, is already a site of special scientific interest (SSI).

The Lord Mayor of London (left), Sir Francis McWilliams, is pictured with the Earl of Cranbrook, chairman of English Nature, inside a 450-year-old pollarded beech tree. The Corporation of London owns the wood, which is to the west of the capital in the 'Home Counties'.

that the amount of land being farmed in the EC would drop from 130m hectares now to 80m or even 40m hectares. If this proved right, Mr MacNicol said, "many of us sitting in this room will not be farming at all, or getting any income from farming, as one moves through the first part of the 21st century."

Mr John Kerr, who owns a 1,700-acre farm in Suffolk, said farmers had to cut all unnecessary costs to guarantee efficient production. "We must ensure we're the low cost producers of Europe. It's not in our interests to see Coca Cola or Nestlé build new factories in France because they can buy their inputs more cheaply there," he said.

"We have levels of price support beyond belief. We have inheritance tax rules that are nearly beyond belief. We have development and environmental grants that are beyond belief."

"Let's take advantage of these to restructure our industry."

Watchdog outlines plan for unit trust deregulation

By Alison Smith

PROPOSALS FOR deregulating the £84bn unit trust industry were put forward in a consultation paper published yesterday by the Securities and Investments Board, the chief regulator for financial services.

But the paper does not resolve the deep divisions within the industry about the future method of pricing unit trusts. Instead it says that "dual pricing" should remain in place for the moment, albeit in a slightly simplified form, while the debate about moving to a system of single pricing must continue.

Responses to the consultation paper are due by March next year, and the SIB hopes to bring forward draft regulations on some aspects of the changes next year.

In dual pricing, potential investors see both an "offer" price, at which they could buy units, and a lower "bid" price at which they could sell. The difference between the two fig-

ures reflects charges and costs.

Many in the industry favour a single pricing system which is easier for investors to understand and which is commonly used outside the UK. There are a number of options for single pricing, and no one option has attracted overwhelming support among fund managers who favour the change.

Other suggestions in the paper include:

- liberalising the charging structures, so as to allow exit fees for all types of fund, and performance-related fees for geared futures and options funds only;
- replacing SIB's list of approved securities and derivatives markets for unit trust purposes with a duty on managers to ensure that the markets where they invest meet certain criteria. The change would allow unit trusts to invest in a much wider range of emerging markets;
- There was disappointment from some in the industry, notably Gartmore fund manag-

ers, the fourth largest fund manager, and Fidelity that the lack of a consensus had made it impossible to agree on single pricing for unit trusts.

But SIB's proposal that single pricing should be used for the open-ended investment company (OEIC), which is common in other European Community member states and which is to be introduced in the UK, will increase the prospects that there will eventually be a move to single pricing for unit trusts as well. In the meantime, the two systems would run in parallel.

Pressure for loosening the regulation of the industry seems to have come mainly from the ready availability in the UK of offshore funds, which have greater flexibility. The draft regulations to be issued by the SIB next year could also incorporate likely changes to the EC directive on undertakings for collective investment in transferable securities, which is being revised at present.

Channel shopping 'costs' UK £260m

By Philip Rawstone

CROSS-CHANNEL shopping is costing the government £260m a year in lost excise duty and VAT on wines and spirits - five times the amount forecast by the Treasury when the European single market was established in January.

A survey by the Wine and Spirit Association suggests that every vehicle making the cross-channel trip returns to the UK with an average 27 bottles of wine and two bottles of spirits.

Just over a quarter of visitors to the continent do not buy any wines or spirits; but of the rest, 93 per cent buy up to 10 bottles of spirits, and 64 per cent return with up to four cases of wine.

The WSA has presented the results of its survey to Sir John Cope, paymaster-general, as part of its arguments against any tax increase on drinks in the Budget.

Mr Bernard Windsor, WSA chairman, said yesterday that industry estimates suggested that the Treasury was also losing another £100m a year from personal imports of beer.

"The only solution is to reduce the UK's level of excise on alcoholic beverages so significantly that cross-border shopping is no longer viable." Apart from the loss of tax revenue, the increase in personal duty-paid imports was hitting drinks retailers throughout the country, he said. The WSA also pressed Sir John for a reduction in the 65 per cent excise surcharge on sparkling wines, sales of which have declined 25 per cent in the past three years.

Mr Windsor said the Treasury had assured the WSA that any budget changes in excise duty would not be implemented until January 1 next year to avoid pricing confusion in the pre-Christmas trading period.

GPT wins UK cable contract

By Andrew Adonis

GPT, the UK-based telecomms manufacturing joint venture between GEC and Siemens, has won a contract worth in the region of £10m to supply exchanges to Southwestern Bell for its UK cable telephone network.

The order, for up to 10 System X digital telephone exchanges, gives GPT a leading position as a supplier to the fast-growing UK cable TV and telephone industry.

Southwestern Bell, the regional US operator, is building networks in seven conurbations in alliance with Cox Cable Communications. It is the third largest cable TV and telephone operator in the UK, behind Nynex and Telewest. The company's seven franchises cover about 1.2m homes. At April 1 it had connected about 55,000 homes.

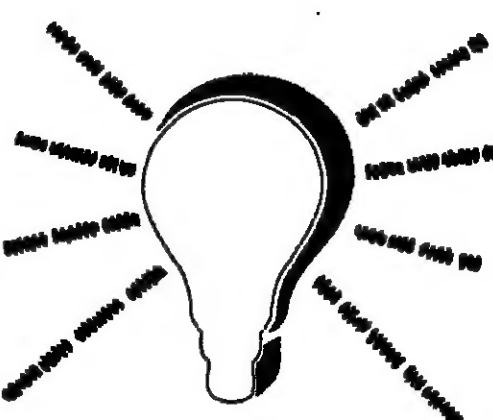
Most of the cable operators are installing their own switching equipment, to give them better terms for interconnection with BT and Mercury, who carry their long distance traffic, and to increase their operational flexibility.

Northern Telecom, the Canadian telecoms manufacturer, is the other leading supplier of switching equipment.

GPT, a 60/40 joint venture between GEC and Siemens, manufactures its exchange equipment in Liverpool, where it employs around 2,400 people.

Although still in the early stages of building their networks, the cable companies now have more than 200,000 subscribers, making them serious challengers to BT.

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MANAGEMENT: MARKETING AND ADVERTISING

When Crispin Davis last week resigned from United Distillers, Guinness' spirits division, after only 15 months as managing director, his departure was widely cited as proof of what most consumers already knew: that Scotch whisky and soap suds do not go together.

Guinness says Davis left because of a personality clash. Competitors say the hard-nosed marketing methods Davis learned in his previous career at Procter & Gamble, the world's biggest detergents manufacturer, did not fit a business which lives by premium pricing and exclusive brand image.

Whatever finally triggered his resignation, it raises a broader question. How easily can marketing skills be transferred between different businesses at a time when they are more widely in demand than ever before?

As competition intensifies, companies in sectors as diverse as banking, telecommunications, pharmaceuticals and public transport are finding - sometimes for the first time - that learning to win and win consumers is essential for survival. Peter Breen, managing partner of Heidrick & Struggles, an international executive search company, says marketing experience is now a pre-requisite for most top-level management posts. "Whatever the job title, marketing is a common denominator," he says.

Those who have taken their marketing expertise into new fields stress that it is not a universal discipline which can be effortlessly transplanted. Above all, it only delivers results when combined with a clear understanding of what makes individual companies tick.

"There are certain fundamentals which can be transferred," says John Robb, chief executive of the pharmaceutical group Wellcome, who cut his teeth in consumer products marketing. "But even if you are moving within the same industry, you still have to learn about the company you're moving to. You have to adjust to the new style."

For outsiders that can be a stiff challenge. Mike Sommers, recently named managing director of MGM Cinemas after three years as marketing director of the TSB banking group, vividly recalls the shock of moving to retailing from the consumer goods industry a decade ago. "For the first month I would sit in meetings and not understand a word anyone said. I felt like a kid who wants to play on a roundabout, and nobody will slow down to let him on," he says.

He and others argue that the transition can be particularly tough for executives schooled in big consumer products manufacturers such as P&G and Mars. That may appear paradoxical, because such compa-

"I USED TO MARKET CHICKENS BUT I STILL KEEP MY HAND IN."



BANK

Of soap and Scotch

Guy de Jonquières and Diane Summers ask if marketing skills are transferable

Companies have been widely regarded as marketing "universities".

However, sceptics say that their success has depended heavily on rigorous adherence to doing the same things steadily better - an approach that can breed inflexibility and make it hard for alumni to adapt to new corporate cultures.

"There is a big dilemma when you take somebody who has worked in a company with strong life-support systems and very clear rules for everything," says Sir James Blyth, chief executive of Boots, whose previous employers include Mars, General Foods and Plessey.

When marketing executives from big consumer manufacturers switch

successfully to other companies, he says it is often because they got out early or were naturally talented, rather than because of any particular skills they brought with them.

Colin Fisher, managing director of SRU, a management consultancy with clients including Unilever and Marks and Spencer, goes further. He says many big consumer groups prosper mainly because they attract the brightest graduates, not because their marketing methods are intrinsically superior.

"A lot of consumer products people emphasise the means rather than the ends," says Sommers. "They forget it's all about consumers and become obsessed with advertising and packaging. Moving

to businesses which are based on distribution or sell mainly to men can be a big wrench for them."

But successful marketing is more than a set of techniques. It is a state of mind which informs corporate priorities. Specialists say that the toughest task of all is to instill it in businesses which have previously paid little attention to customer service and consumer satisfaction.

Eurotunnel, for instance, has only just switched its attention from boring holes in the ground to seeking passengers. It has recently recruited executives from consumer companies including Lever Brothers and Heinz.

One of their first achievements has been to talk the board out of plans to run an advertising campaign celebrating Eurotunnel's engineering achievements, and to emphasise instead the services it offers.

Mercury Communications, part of Cable and Wireless, has also hired marketing talent from the consumer products industry. Roy Doughty, director of marketing, sales and customer service for One-2-One, Mercury's new mobile telephone service, previously worked for Duracell, the battery maker.

"I believe we're launching a brand in the way a consumer products company would do," he says, although he admits that the technical complexity of telecommunications systems means that much longer lead times are required.

Although Mercury Communications has been widely applauded for imaginative advertising, some specialists say that marketing has yet to lay down deep roots in its engineering-dominated culture. "Mercury only looks good because it is competing with BT, which doesn't even have a marketing director on its board," says one.

Kevin Gavaghan, former retailing executive responsible for launching electronic banking services such as First Direct, Orchard and Vector at Midland Bank, says that the first priority for people recruited to a company to improve marketing is to ensure that they have support from the top.

"You have to be invited in by a sponsor who knows exactly what he is buying," he says. Gavaghan says he received such backing when he joined Midland, but left because the bank's commitment to marketing dwindled after a change of senior management.

But for Sir James Blyth, the golden rule for peripatetic marketing executives is to be absolutely sure what they are letting themselves in for. "If you have moved companies a couple of times, you learn to pick out those areas where your experience is valuable. But you'd better listen very carefully to people in your new company about exactly why it is different."

The Italian group is set to reposition itself in the replacement tyre market, writes John Griffiths

Pirelli splits its image in Europe

Pirelli, the Italian tyres and cables group, has launched a new brand strategy as part of an effort to increase its share of the European replacement tyre market.

The move comes in the face of what Carlo Banchieri, deputy chairman of the tyre operation's management board, calls the most difficult conditions in his 30-year experience of the industry.

The key change for Pirelli is the introduction of what Banchieri describes as "second- and third-tier" brands to complement the main Pirelli brand. These will be aimed at owners of Europe's population of cars older than three years, looking for a cheaper deal.

The replacement sector is substantially larger than that for original equipment tyres supplied to car and truck makers.

It is also the main source of profitability - or in some cases restricting losses - for the industry at a time when Pirelli and other tyre makers are being forced to digest sharp price cuts demanded by vehicle producers.

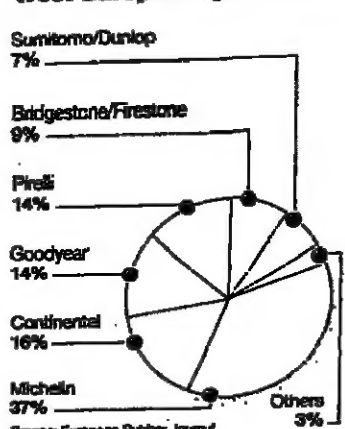
According to Banchieri, catering to the replacement market with subsidiary brands will make it easier to retain the premium pricing and image of the Pirelli brand name. Preserving that image has become increasingly difficult in the replacement market.

Pirelli already owns and produces some secondary branded tyres, notably Courier in the UK and Ceat in Italy, but they are mainly national brands. The group's strategic sales and marketing focus have been overwhelmingly on the Pirelli brand.

To compete in the cheaper replacement sectors, the company's practice has been to keep in production some Pirelli-branded tyres launched as long as 10 years ago. These are likely already to have been superseded by technically superior products, but they are relatively cheap to produce.

One problem with this approach is that the "old" tyres have to

West European tyre market



be sold at a discount to more recent offerings, and discounting is detrimental to Pirelli's image. For this reason though the discounts have not been sufficient to give what Banchieri regards as an adequate market share.

By developing a pan-European secondary brands strategy, Pirelli is doing no more than recognising that European replacement tyre markets are starting to move towards the North American pattern.

In the latter there is not only a profusion of tyre makers' second- or third-tier brands such as Goodyear's Kelly Springfield; large retailing groups and even the big oil companies sell vast quantities of tyres under their own brand names.

For example, the world's single biggest retailer of tyres is superstore chain Sears, Roebuck, which sells some 10m a year.

A lot of Pirelli tyres are sold through Sears, supplied by its US Armstrong Tire subsidiary.

Far from pioneering second- or third-tier brands in Europe, Pirelli is to some extent following the path already taken by rivals such as Michelin with its Kleber brand and Continental with Uniroyal Semperit. More than 20 per cent of Michelin's sales are of "house" brands. Of German rival Continental's 100-strong product range, only a little more than a half are branded Continental.

Banchieri acknowledges that the initiative will probably be confined to the cheaper end of the market. "I cannot imagine a Porsche with second-level tyres," he says. But owners of, for example, five- or six-year-old BMWs are targets.

Pirelli hopes to increase its share of the European replacement tyre market to around 13% per cent, from just over 10 per cent.

Conversely, says Banchieri, it has been ready to cede some unprofitable business in the original equipment sector. Banchieri says it is also likely to settle at around 13.5 per cent, against 16 per cent a couple of years ago.

Between clashes with former employer General Motors, José Ignacio López de Arriortúa has just helped Pirelli most of the way there.

Unwilling to go along with price-cuts demanded by Volkswagen's mercurial and flamboyant Spanish production and purchasing director, Pirelli has lost its original equipment business with Volkswagen, although ironically it is still supplying its Spanish subsidiary Seat. That means a further 0.3-0.4 percentage points loss of original equipment market share.

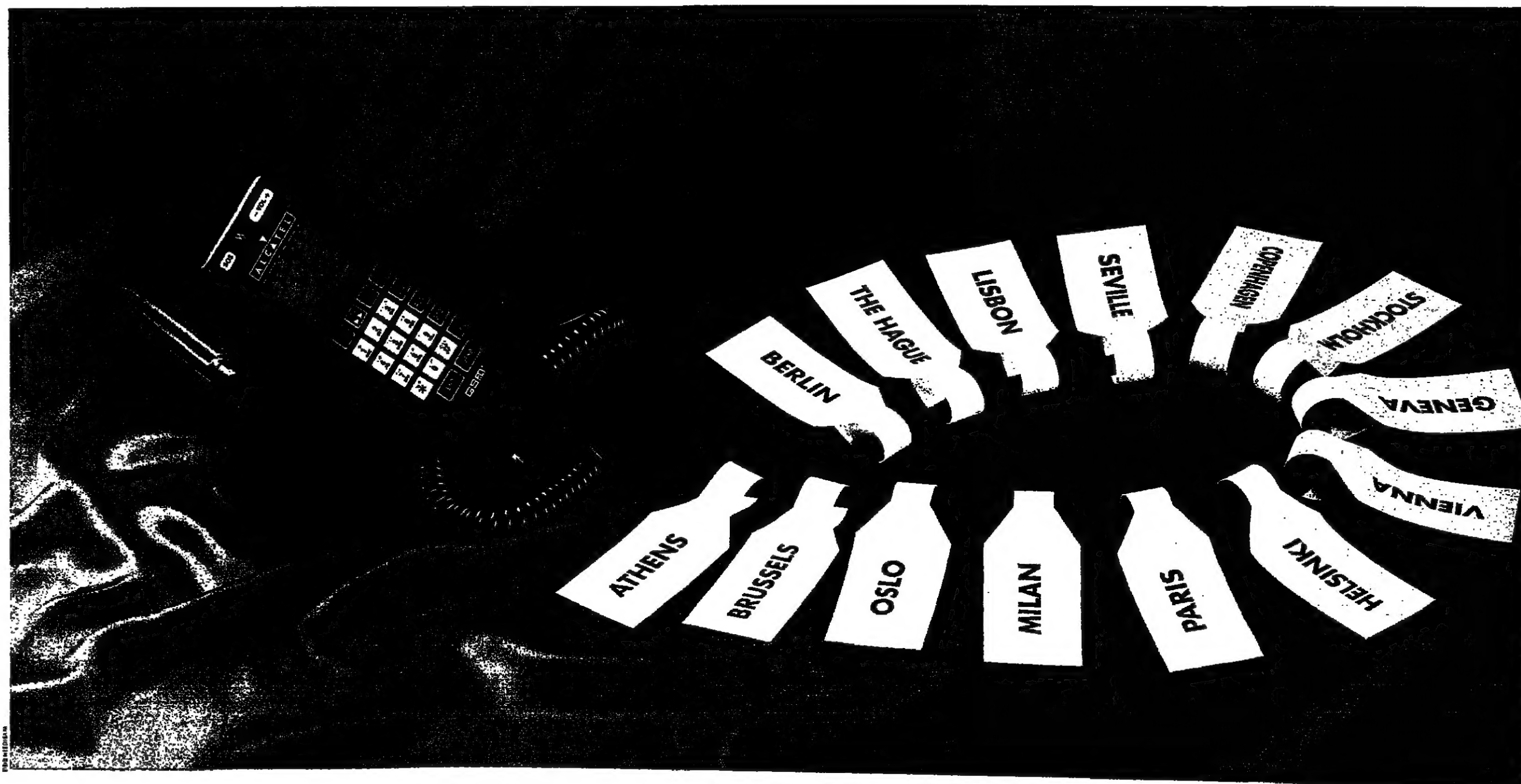
In another departure from past practice, Pirelli is to cut the time-scale for introducing the complete size range for new generations of tyres from two years to 3-4 months.

Traditionally, Pirelli and other manufacturers have synchronised the launch of a tyre with the car for which it was developed, and only in the size range applicable to that car. Other sizes would be phased in over two years.

"This was acceptable at a time when life cycles of the product were long - maybe seven or eight years. But it was not best practice," says Banchieri.

The Pirelli name will be applied only to state-of-the-art products. Existing older ones will be phased out.

At least two new Pirelli branded tyres will be introduced each year for the next few years.



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Sir Simon retires; Hardie takes over

The former gardening correspondent of *Tatler* magazine has retired. Better known for the past 12 years as chairman of W.H. Smith, Sir Simon Hornby (far right) said yesterday that he would be retiring from the helm of one of the UK's best-known high street names, making way for Jeremy Hardie (right), deputy chairman since September 1992.

Hornby's retirement at the age of 59 with effect from January 30 1994 will coincide with other executive level changes at Smith's. Sir Malcolm Field will become group chief executive; David Roberts will become managing director responsible for distribution and group support services; and Peter Troughton is to become managing director, UK retailing. He will be succeeded

as managing director, W.H. Smith retail, by Peter Bamford, currently president and chief executive officer of Wee Three Record Shops, a US-based subsidiary.

Hardie, 55, has been a director of John Swire and Sons since 1982. His business career includes stints as chairman of the National Provident Institution and of Alexander's Discount. He is a director of National Mortgage Bank, William Cook and Murray Lawrence Holdings. He first joined the board of W.H. Smith in 1988.

His background is solidly rooted in the academic life: following a B.Phil in Economics at Nuffield College, Oxford, he held a variety of academic posts, was fellow and tutor in Economics at Keble College,



Oxford, and has written a number of books on economics.

Hardie was a member of the Mergers and Monopolies Commission between 1976-83, and the commission's deputy chairman during his last three years there. He then took a stab at a political career, contesting Norwich South for the SDP in 1983, and again for the SDP/Alliance in 1987, though without success.

Hornby's links with W.H. Smith go back to 1968, when he



first joined the company.

Despite giving up writing on gardening for the *Tatler* in 1967 - his column lasted four years - he maintains strong interests in horticultural affairs and is on the council of the Royal Horticultural Society.

Despite his retirement from Smith's, he is not relinquishing his interests in the world of business; he remains, for example, a non-executive director of Pearson, owner of the Financial Times.

Bodies politic

The government has chosen an expert on Antarctica to be the first chairman of the new ENERGY ADVISORY PANEL of independent experts which will advise on the way energy markets may develop in the future.

Martin Holdgate, the former chairman of the Renewable Energy Advisory Group, is currently director general of the Swiss-based International Union for Conservation of Nature and Natural Resources, whose membership embraces countries, national agencies and non-governmental organisations.

Educated at Arnold School in Blackpool and at Queens College, Cambridge, Holdgate lectured at Manchester University and Durham College before turning his attention to Antarctica, where he served as senior biologist with the British Antarctic Survey in the early 1980s.

He later served with the Department of Environment as chief scientist before moving to the Department of Transport as chief scientific adviser.

His experience in Antarctica served him well as chairman of the Commonwealth Expert Group on Climate Change in the last 1990s.

Simon Askins has joined the UK INDUSTRIAL GROUP as its southern regional director. He moves from the CBI, where

he has been working as southern regional director since late 1990.

The UK Industrial Group was launched one year ago with the aim of lobbying central government to adopt a more interventionist attitude towards industry. More than 70 companies have so far joined the association.

■ Ian Kelsall, who is to retire at the end of this month after 28 years as director of CBI Wales, is to become part-time director of Merthyr Tydfil Business Centre. The centre's aim is to help to create and support jobs as part of the regeneration of the south Wales town. Kelsall will continue at the CBI on a half-time consultancy basis until his successor has been appointed.

■ Rodney Yates, non-executive chairman of Olliff and Partners, and James Morton, senior partner of Price Waterhouse, have been appointed lay members of the GENERAL MEDICAL COUNCIL.

■ Sir John Bleslock, retired permanent secretary of the Northern Ireland Office, has been elected to the committee of The AUTOMOBILE ASSOCIATION.

■ Tony Hales, chief executive of Allied Lyons and current vice-chairman, has been appointed chairman of the CBI's national manufacturing council in succession to Sir Alistair Frame.

Lamb leaves RAM

Richard Lamb, a Latin American fund manager at Rothschild Asset Management, is joining the flood of emerging market new recruits heading for Morgan Grenfell.

However, Lamb, 36, is joining the fund management side of the business rather than the brokerage operations. He will head a team of three covering Latin America's emerging stock markets. Morgan Grenfell Asset Management Ltd has about 100 fund managers worldwide with about £37bn of money under management, out of which about \$1bn is in the emerging markets including about \$200-300m in Latin American equities.

At RAM, Lamb was responsible for managing its Chile Fund and Five Arrows Fund. MGAML says it is keen to strengthen its Latin American investment team, and is also hoping to raise its profile in Latin America by managing funds for local institutions and other investors.

Morgan Grenfell's Debt Arbitrage and Trading operations recently lured about 20 emerging markets equity traders, analysts and sales staff from James Capel because it intends to complement its existing debt trading operations by expanding in the emerging equity markets business.

Finance moves

■ Kenneth MacLennan has been appointed director, Europe, of STANDARD CHARTERED Asia Pacific Merchant Bank Group, based in London.

■ Achut Dommakanti has been appointed senior general manager for Europe, South Asia, Middle East of ANZ Bank and md of ANZ GRINDLAYS BANK based in London on the retirement of Beryl Ransford.

■ Angus MacPherson is promoted to become a director of SAMUEL MONTAGU and is joining Trinkaus Samuel Montagu in Düsseldorf as a joint md.

■ Mark Lund, formerly a consultant, has been appointed md of HENDERSON International in succession to Colin Day who remains chairman of Henderson Pension Fund Management.

■ David Kidd has been appointed chief investment officer and deputy md of Cantrade Investment Management, part of UBS; he moves from Capital House Investment Management, part of RBS.

■ Nick Levene, formerly manager of Tullet & Tokyo's OTC equity division, has been appointed director of Martin Bierbaum Equity Derivatives, part of TRIO HOLDINGS.

■ Roland Khoson and Stephen Garraby have been appointed directors of JOHN GOVETT UNITY MANAGEMENT.

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TURKEY'S MERCHANT BANK

Japan keeps its shirts in shape

A shirt with a memory is the latest technological breakthrough to ease the lives of Japan's hard-pressed salarymen.

Introduced earlier this year by two medium-sized textile groups, *Tomiya Apparel* and *Choya Corporation*, memory shirts are designed to hold their original pristine shape after washing, so doing away with the daily ironing.

While the rest of the clothing industry is in a downturn, memory shirts are beating their sales targets in Tokyo department stores, the traditional testing ground for generations of new technology products.

They are thought to be popular among salarymen who are forced to spend the night in a city-centre hotel after long evenings at the office or drinking beer with colleagues - both events which tend to create crumpled shirts.

The trick is a chemical which memorises structures and pulls back to its original shape at room temperature. This means the memory shirts also shrink less than their ordinary counterparts.

The chemical can either be baked onto the fabric - the *Choya* method uses a technique developed by *Nishinbo Industries*, a Japanese textiles group - or sprayed on in gas suspension, the method used by *Tomiya*, based on a technology developed by *American Textile Processing*.

So far the memory shirts have gone down well, despite the fact that they cost around 20 per cent more than normal, forgetful shirts. *Tomiya* reports that it had to boost its output by 30 per cent last month to cope with demand.

Isetan, a leading Tokyo department store, has set aside a quarter of its shirt sales space for memory shirts, which it sells for ¥6,900 (£43) in white - as favoured by most Tokyo office workers - or ¥7,900 in patterned designs.

They can be purchased more cheaply at supermarkets such as *Ito-Yokado*, which was so impressed with its initial trials - at between ¥3,900 and ¥4,900 - that it plans to stock them throughout its chain by mid-November.

Will Dawkins

Richard Roberts and Phillip Sharp helped take the non-sense out of gene research - literally. Without their work, for which they have just jointly been awarded the Nobel prize in medicine, much of today's biotechnological developments would not have been possible.

The award highlighted the importance of biotechnology in medical research by giving formal recognition to a discovery in gene structure that has yielded new product developments in the biotechnology sector and promises to lead to many more.

The achievement of British-born Roberts and Sharp, an American, was to overturn the idea that genes were arranged on DNA strands in a continuous chain. Instead, they found that genes have distinct "domains" or gene sequences, separated by what have been called non-sense DNA or introns.

They made the discovery simultaneously but independently in 1977 by using electron microscopes. It is credited with speeding up the biotechnology revolution and paving the way for gene therapy, a nascent field in which genes are used as drugs.

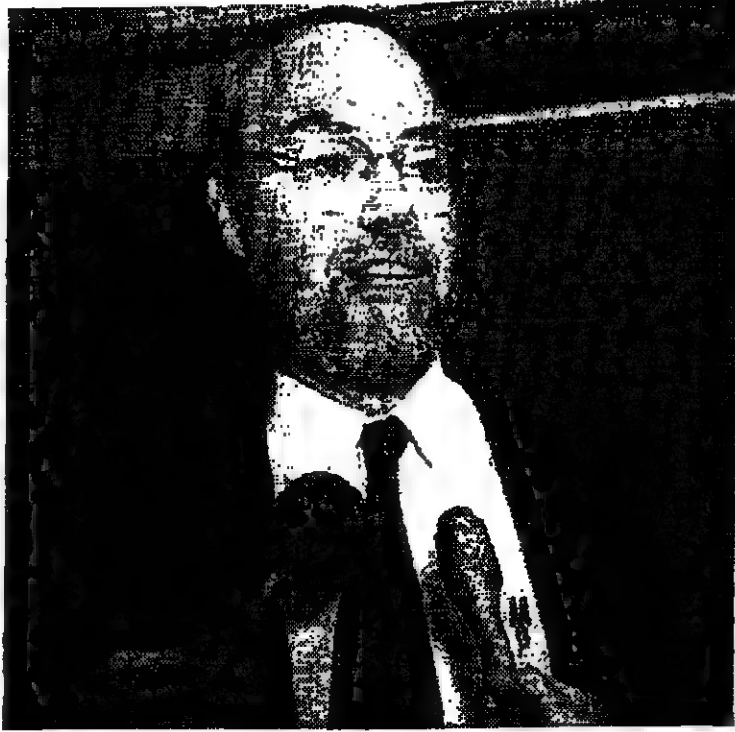
Genes are arranged along strands of DNA, which contain the blueprints for the creation of life. To reproduce itself, DNA unzips into RNA messenger strands, carbon copies of the DNA. The RNA then invades protein molecules and imprints them with the genetic codes for development.

The laureates' breakthrough showed that the messenger RNA edits out the introns between the gene sequences to form a clear genetic code that can be read by proteins, the building blocks of life.

The discovery was applied immediately to the fabrication of certain hormones, for instance the human growth hormone used to treat dwarfism. "It became clear after this discovery that if you were going to express a gene for a hormone, you'd first have to remove the nonsense sequences," says Sharp. The discovery also yielded clues for research into cancer and certain hereditary diseases which occur from mistakes during the DNA copying and editing process.

"After the study, scientists were able to study genes in the cancerous or mutant state and compare it to the normal state," says Roberts, a researcher at New England Biolabs. "Before the discovery, we did not know what the normal state looked like." Sharp and Roberts did their work in 1977, but some of the possible applications of the discovery are only now being fully explored.

"It's not just that we realised genes were divided into sequences," says Joseph Davie, vice-president of research at Biogen, the biotechnology group. "We realised they had separate domains for a reason,



Phillip Sharp, joint winner of the 1993 Nobel prize in medicine

Domain of the genes

Victoria Griffith looks at a breakthrough in biotechnology

which was that they had different functions. One of the important things to come out of this is that we realised we did not have to create copies of molecules just as they were found in nature. We could split up their functions and rearrange them to create our own, new molecules by combining part of one gene and part of another."

"The 'gene knockout' technique, by which you eliminate certain genes in mice, is now used widely to create mutations which are then used in research. That would not have been possible without the Nobel work"

This technology is still in its early stages, but some biotechnology groups say they are having success. *Seattle-based Immunex* is developing a bone marrow stimulant which brings two gene domains together in a single molecule. And *Biogen* says it is also working with "designer molecules" to target can-

can become more sophisticated in mixing them up."

New sophistication in gene splicing has improved research methods. "The 'gene knockout' technique, by which you eliminate certain genes in mice, is now used widely to create mutations which are then used in research," says Laurence Lasky, staff scientist at Genentech. "That would not have been possible without the Nobel work."

The discovery was also fundamental to advances in the complex field of gene therapy. "Unless you understand how a gene is expressed, there is no hope for gene therapy," says Dr Sharp.

According to Robert Shoemaker, chairman of Centocor, the work was also important because it stressed that when the gene message gets re-processed, it may get mixed up. "We need to take into account the stability of the genes we create in the field," he explains.

Sharp and Roberts stress that their work was just one step in a revolution of new ideas which have exploded over the last two decades.

Several important discoveries followed on the heels of the Nobel laureates' initial work. After the notion of gene domains was established, for instance, scientists began to consider the possibility of using RNA as an enzyme.

"We began to see that RNA molecules have a function besides the transferring of information," says Shoemaker. "They can also function as enzymes and we may see a whole new series of drugs based on RNA as enzymes."

Researchers also began to consider using adhesive RNA strands as inhibitors. "We have now adopted the concept that there is a single domain on the gene which is responsible for binding," says Lasky.

Normally, we think of peptides and other substances as binders, but RNA portions may also be used. If they bind to a specific site, the activity of that molecule may be inhibited. This could be used as a drug for a number of diseases including AIDS."

Another key development is the discovery that introns serve as moderators in the expression of the gene sequence. "By including introns in the expression of a system, we can get a much more effective protein," says Patricia Tekamp-Olson, director of research at Children's Hospital.

"It's very likely that they will be increasingly used as enhancers for recombinant proteins. Another theory is that they may provide information which makes the gene tissue specific. For instance, we may be able to use introns to target specific tissues within the body while ignoring others. That would be a key advance."

Eyeing up the computer screen

Tom Foremski on plans to link the human nervous system to PCs

Move your eyes across the computer screen and the cursor follows faithfully. Choose a command by simply looking at the menu selection and blinking, and the computer responds.

This might describe the most natural computer user interface of all, allowing eye movement to control computers and thus going beyond the present ubiquitous computer mouse and graphics icon systems which are based on technologies first described in the mid-1960s.

If tiny BioControl Systems in California's Silicon Valley has its way, people will soon control computers by moving their eyes and "thinking" commands.

BioControl says it has developed a technology that links the human nervous system to a computer. Its BioMuse system can be programmed to interpret the user's biosignals - tiny electrical signals produced by the human body's nervous system.

These can then be used to control a computer or anything controlled by one. Surgical equipment, for example, could be controlled by a surgeon's eye movements, allowing for delicate work to be performed.

But what if the surgeon is distracted by something and looks elsewhere? Not to worry, says Anthony Lloyd, executive vice-president of BioControl Systems.

"The surgeon could simply clench his jaw. That would be the signal that would disengage the system, allowing the surgeon to move his eyes without danger of doing something unwanted."

A lightweight headband is worn, much like a sweatband. This contains a row of gel-based sensors which pick up and amplify signals from the nervous system and send them through a wireless connection to the BioMuse box. The BioMuse contains a powerful, eight-channel, digital signal processor which interprets the biosignals and maps them to whatever result the application requires.

In one demonstration, the BioMuse is programmed to

interpret the biosignals associated with moving the eyes to control a musical synthesiser. The user produces musical sounds by closing and opening the eyes, and moving them from side to side.

The BioMuse can also interpret brain wave activities and be programmed to respond to different brain wave states, raising the intriguing possibility that users could "think" commands. This is the focus of a research project at the University of Illinois which is using BioMuse technology to allow users to try to produce words on a computer screen by simply thinking them.

BioMuse will also respond to muscle activity, allowing severely disabled persons to control their wheelchairs or other equipment through tiny muscle movements picked up by sensors mounted in a leg-band or arm-band.

With forearm-based sensors, the BioMuse system could allow hand gestures to control a computer. This conjures up the intriguing possibility of frustrated computer users telling their computers exactly what to do with a simple hand gesture.

Twenty organisations, including the US navy, US medical research laboratories and universities, have paid \$10,000 (£7,142) for research and development licences to use the BioMuse technology in various applications. There is also considerable interest from European organisations, some of which have bought licences. These include Volvo Research in Sweden, Pirelli, an Italian animation company, and the University of Barcelona.

"There is a huge number of potential applications for this technology," says Lloyd. "The next step is reducing the BioMuse box to the size of a chip that can be mass produced."

Lloyd adds that a large Silicon Valley-based chip manufacturer is interested in producing the BioMuse chip.

By shrinking the box's circuitry on to a chip, the BioMuse technology could be made cheap enough for a wide number of mass market applications.



Roberto Schwardfeger, General Manager Organon Argentina SA:

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CREATING THE RIGHT CHEMISTRY

AKZO

Cinema/Nigel Andrews

Family values distorted

We have heard much about family values recently. Across the land, wild untamed Conservatives have inveighed against single parents and their drain on the nation's money and morals. The media have taken up the theme; clerics have cried "Yes!" or "No!"; and civilisation has stood on tiptoe, awaiting the verdict.

Now here is a film on the subject. But Andrew Birkin's *The Cement Garden*, based on Ian McEwan's novel, addresses the theme of family values (at least the Tory-hallowed version) much as a wrecking ball might address a cathedral. There is dying Mum (Sinead Cusack), soon to be buried by her children in the cellar. There is Dad (Hans Zischler), taken off by a heart attack while eccentrically cementing over the garden ("I'll be that much tidier"). There is teenage son Jack (Andrew Robertson) who grows out of his narcissist pleasure in mirrors to enjoy a full-blooded heterosexual liaison with his sister (Charlotte Gainsbourg). Did we mention the younger siblings, Sue and cross-dressing Tom? Just as well.

Slouching towards Britain to be born, this film has already won a brace of festival prizes including Best Director at Berlin. Birkin comes to it after one stylish, star-crossed previous feature *Burning Secret*. (The star who crossed it was Faye "Ready for my fiftieth close-up" Dunaway). Here he has compromised not a jot. The movie is a picture of Hell that keeps shimmering, like those *trope* *foel* double-image postcards, into a glimpse of Heaven. The images range from bilious sunsets to interiors as grey and grungy as last month's cheese. The dialogue has a gnomic, comic garbancie enhanced by its sense of semi-detachment from some of the foreign players. (This is a German-French-English co-production.) And the film's loopy serenity, against many odds, becomes a joy.

Even the in-your-face nepotism of the casting, with Birkin's son and niece (Mie Gainsbourg) in leading roles, seems right in this tale of cabin fever domesticity spiralling into incest. For the reason the children conceal Mum's corpse in cement is that they hope to stay together and avoid orphanages. But the family that stays together may end up doing a lot of other things together.

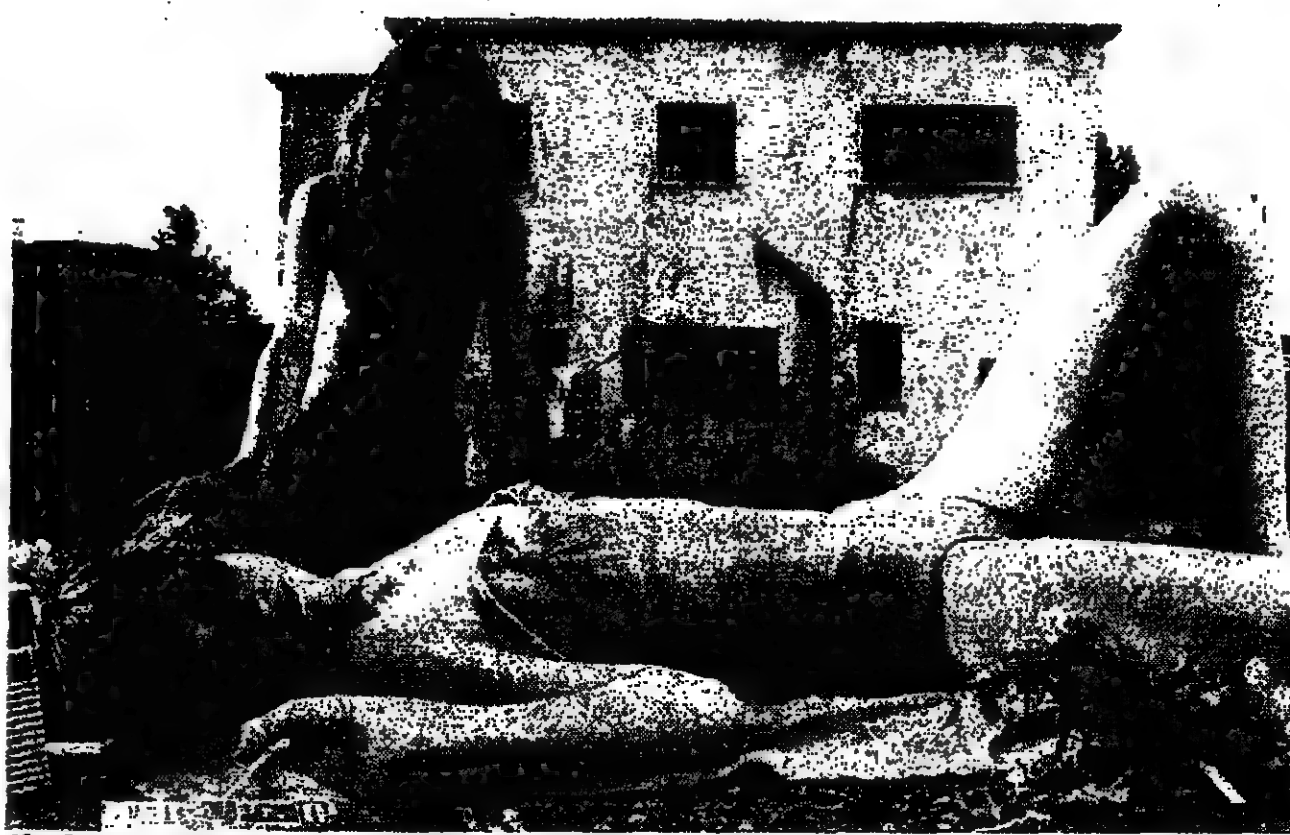
Like any McEwan story, *The Cement Garden* has a cinégenie seriousness alive with surreal incidents. Birkin places the family's house, a concrete box in British Banhaus style, in a weed-and-rubble wasteland that might have been designed by T.S. Eliot. Here the characters come and go, talking of emotional vertigo. And the sense of existential cadence is not so much a programme for revolt, more a slow dive into hedonism as a sweet and least-resistant way of life - conveyed by the laid-back, perfectly judged performances.

Indeed the marvel of *The Cement Garden* is its poked-out detachment. Birkin asks no questions, gives no answers, tells no lies. He is a fly on the wall, one of several - in a household where human nature and human order, deprived of parental control, is returning to basics. Strip away civilisation as we know it, suggests the movie, and boys will be boys, girls will be girls and each, more than likely, will end up trying to be the other.

Anthony Minghella's *Mr Wonderful* is more upbeat about family values. Like the Tories the movie curses the unmarried state, but as much for money reasons as for moral ones. Anthony's young blue-collar worker Matt Dillon cannot get out of the financial hole he is in. (Cue symbolic shots of him in a hole in the road working for New York's electricity company Con Edison). He wants to join his mates in a money-making enterprise: rebuilding a derelict bowling alley. But look! His pockets are empty and ex-wife Annabella Sciorra will never let him off the maintenance hook while she remains unmarried.

Lightbulb idea! What if Dillon finds a "Mr Wonderful" for her? Then he can live happily ever after with his girlfriend (Mary-Louise Parker), plus his bowling alley buddies and lots of money.

After Minghella's *Truly*,



Charlotte Gainsbourg and Andrew Robertson in 'The Cement Garden'

Madly, Deeply, this film is truly, maddeningly shallow. Taking over an original script by Amy Schor and Vicki Polon, the British playwright-filmmaker has first endorsed the sentimental excesses and then allowed composer Michael Gore to pour musical syrup over it (warbling, wall-to-wall jazz). Worse still, whenever Dillon, Sciorra and Parker look like establishing a base-camp adequacy with their roles, Minghella brings on supporting star William Hurt, who strides past them with goggles and pitons towards the peak.

Hurt is superb as Sciorra's current boyfriend: a sad-sack college professor who knows that his older, married status sentences him to an unspecified hour of doom. Listen to the lifetime of caustic despair in his pronunciation of the word "Guel" (Dillon). Watch his face grimace with irony as he comments on Dillon's IQ: "He's not exactly plagued with ideas, is he?" For of course Sciorra's real Mr Wonderful - we can see it coming from the other side of New York State - is none other than her ex-Mr Wonderful, Mr Dillon. Cue contrived reunion, climactic tears and even more of that warbling jazz music.

The first ever professional review I wrote was of a 1989 film called *Markus*. It starred

THE CEMENT GARDEN (18)

Andrew Birkin

MR WONDERFUL (12)

Anthony Minghella

DRAGON - THE BRUCE LEE STORY (15)

Rob Cohen

ONCE UPON A FOREST (U)

Charles Gromer

HOMEWARD BOUND (U)

Dwayne Dunham

MANUFACTURING CONSENT

Peter Wintonick and Mark Achbar

James Garner as Chandler's gumshoe, but neither I nor anyone else back then noticed Garner. The film was stolen in a small role by a yowling, licking, seemingly stark-mad Oriental called Bruce Lee. Here was a young actor born to defy gravity, smash furniture and imitate the searing cries of an impaled banoffee.

This debut movie does not feature in *Dragon - The Bruce Lee Story*. But then neither does much else of interest.

Faithful to Lee's wife's official biography, it stomps blandly on from one career crossroads to the next as our hero, played by the unrelated Jason Scott Lee, climbs from Hong Kong poverty to Hollywood glory. The fight scenes are frequent and daft. The romantic scenes are frequent and dull. And when Robert Wagner wanders into the plot wearing an industrial-strength sunhat and gold medallion - sign-language for "bigshot film producer" - one senses the entire movie sinking slowly into oblivion.

Lee deserves a good film. His legend is among the weirdest of modern times: even his gift for early mortality (he died at 32) being handed on dynastically to his actor son Brandon, shot dead this year by mysterious accident on a film set. But *Dragon* is not a biopic, more a large glossy PR brochure punched with sprocket-holes.

Once Upon A Forest is about a hedgehog, mole and mouse who trek across a forest poisoned by a chemical spill to find medicinal herbs for a dying badger. It is - you guessed - an animated feature. But "animated" hardly seems the *not just* for this latest eco-lecture from the industry that brought us *FernGully: The Last Rain Forest*. Winsomely characterised, fully scored, it relies on two guest voices - Michael

Crawford's as old Cornelius Badger and Ben Vereen as a hot-gossiping marsh bird - to kick it into life for two brief song-and-dance numbers.

Better is *Homeward Bound: The Incredible Journey*. Here the guest voices are Don Ameche, Michael J Fox and Sally Fox, dubbing real not cartoon animals. Two dogs and a cat, sundered from their human owners, set out home across hundreds of miles of danger-infested Sierra Nevada.

For dumb animals, they deal in a lot of smart dialogue. "I hate fast food" cracks the Fox dog as a breakfast-earmarked rabbit high-tails out of his reach. But then 30 years have gone by since Disney first filmed this story, based on Sheila Burnford's novel. We now have an entire generation of streetwise, short-attention-span brats who if the animals do not talk will probably rush straight from the cinema and back to their Nintendo games.

What would Professor Noam Chomsky, prophet of our communications and America's favourite turn-in-the-side radical, make of it all? Find out in *Manufacturing Consent*. I found this 2K-hour docu-portrait riveting even though I disagree with nearly all Chomsky's views. The film has been seen before on TV, but not at this uncut, unexpurgated and wholly unboiling length.

Theatre

Pacific Overtures

The Leicester Haymarket has acquired a reputation as one of the country's leading homes for musicals; and this staging of Stephen Sondheim's 1976 musical *Pacific Overtures* shows you why. The large company, with 16 performers playing several roles each, performs on a high level. Paul Kerryson's staging is deft and eloquent, and Charles Cusack-Smith's designs are striking.

Pacific Overtures (best known in this country from an English National Opera staging) portrays the events of 1853, when, after 250 years of isolation, the Japanese first established contact with Western society. The central irony is that the tale is told as if from the Japanese point of view, and illustrated with key features of Japanese theatre: onnagata, whereby female roles are played by men; kabuki, whose bold masquerade and coiffures are employed, even for the American characters; and bunraku, whereby certain silent figures in black attire behave like puppets.

There are many shrewd musico-dramatic strokes. Perhaps the most telling is the one in which three British sailors climb over a wall and accost a young Japanese woman. The trio they sing at her is gentle, plaintive, and its overlap of three separate voices is exquisite. Such delicacy! But what they are attempting is rape, and she (played by a man) sits there in the middle of her trap, trembling in terror all the while. Elsewhere, the story Sondheim tells is multi-faceted, with scenes of comedy, love, grief, and conflict.

The Leicester staging is virtually flawless. Russell Dixon takes the central role of narrator and Shogun with command. Amid the excellent supporting cast, three are outstanding. Scott Davies as Kayama (a minor official catapulted into the forefront of international negotiations), Michael Heath as the Shogun's knowing mother ("Chrysanthemum tea"), and Peter Edbrook as a madman training her "girls" to receive the invading Americans. The only flaws are that "Pretty lady" should be more melodious, and the big dances lack variety.

And yet, and yet... The more Sondheim you know, the less there is. I acknowledge his finesse and his urbanity. But oh, how all those smart little cycles of clever worldweariness weigh one down. So many rhymes are insistently milked. So many lines are just four, six, or eight syllables long. So many phrases are strings of evenly weighted syllables until the last is prolonged.

Sondheim is often praised for steering his idiom clear of the rock musical. True, Sondheim's urbanity is a cut above the crudities of *Les Mis* or *Phantom*. But what are you to make of a modern musical composer who not only does not rock but also cannot even swing? He seems both glib and repressed. *Pacific Overtures* has plenty of japonaiserie - plus minimalism of a generally exotic type, but these features are only skin deep. As *found*, Sondheim's musical style is just an ever so refined version of old vaudeville formulae. The overall effect is sophisticated, trite, and, above all, anaemic.

Sometimes, listening to *Pacific Overtures*, I thought "this is his best musical". I would not, however, care to work out what is his worst. Or to calculate what little difference there is between the two. Bygone innocence is forever counterpoised by present dissatisfaction. Nostalgia and cynicism rule. The modernisation (Americanisation) of world culture that afflicts Japan here is the same as afflicts art in *Sunday in the Park*. Worse, Sondheim's characters lack force and scale. Beneath all that polish lies a depressing meanness of spirit.

Alastair Macaulay

At the Haymarket Theatre, Leicester, until November 6

view of the world, but amusing, ironical and often perceptive, just like Pooter.

The Waterhouse version is not new. It has a six month run at the Lyric in Sturgesbury Avenue in 1986, starring Judi Dench and Michael Williams. The 1983 revival stars no less than Patricia Routledge and Clive Swift. And the lovely Richmond Theatre was packed with expectation.

Seldom has one heard so few laughs in a show designed to amuse. Not much pathos in the Pooter life either. The few good scenes are concentrated on songs around the piano: they could come from anywhere.

Times, fashions change. *Mr and Mrs Nobody* may have worked in 1986. What Mrs Routledge and Clive Swift are doing in a piece like this, directed by Matthew Francis of the excellent Greenwich Theatre, and produced by Duncan C. Weldon who has an eye for the West End, in the year 1993 is beyond comprehension. So many talents; so few rewards. The production ought to be stopped in its tracks before there is a real disaster.

Malcolm Rutherford

Richmond Theatre until Saturday, (081) 940 0230

understanding and a sense of theatre. Some of the bravura tricks fell apart. This did not matter: she gave us a true and distinguished interpretation.

The young also romped through the tango from *The Golden Age* - kittens playing at being naughty tigers - and a couple of other numbers. More enthusiasm than polish at times, and some dubious playing to the public, but performances were life-size. So much of the ballet we see in Britain looks polite, pinched, scaled down to fit into notions about the niceness of classical dancing as an activity for little girls. Yury Grigorovich's young show us that it is an art to which you must give yourself without reserve, and with joy.

The Grigorovich Ballet can be seen in Eastbourne on October 20, then in Jersey on October 22, 23, and in Cork on October 25, 26, 27.

in the passage, tel 02-228714 and theatre box offices.

Tickets can be ordered from abroad through Bohemia Ticket International, Salvatoriska 6, 11000 Prague 1 (fax 02-2271)

■ ROME

Daniela Gatti conducts Verdi's Requiem tonight, Sat and Sun at the Accademia Nazionale di Santa Cecilia, with soloists Aprile Millo, Florence Quivar, Sergei Larin and Roberto Scandoluzzi. Oct 30, 31, Nov 1, 2: Giulini conducts Franck and Debussy (06-678 0742)

■ STRATFORD

Two new Royal Shakespeare Company productions open over the coming week. Edgar's Rondo, David Pownall's new play about the inner doubts of the greatest English playwright, is directed by Di Trevis, with Alec McCowen in the title role. Now in previews in the Swan Theatre, opens next Tues. The second new production is Shakespeare's glittering comedy *Love's Labour's Lost*, directed by Ian Judge in the Royal Shakespeare Theatre. Previews from tonight, opens next Wed (0788-295823)

■ VENICE

The next opera production at the Fenice is Der Rosenkavalier, opening on Oct 31 with a cast led by Felicity Lott, Anne Sophie von Otter, Artur Korm and Barbara Bonney (041-521 0161)

Ballet/Clement Crisp

Grigorovich's young dancers

nise from Grigorovich's *Swan Lake*, who must deck the edges of the action and pretend to be regal or courtly in their Mary Pickford wig and reach-down robes. I would venture that in no other theatre art are performances of the staple repertory so brightly and unwaveringly optimistic as in ballet. Incomplete trip about, gulling a public into supposing they are seeing *Swan Lake*, or similar lures for the unwary, in productions of miserable ineptitude. These grand ballets are opera house fare, demanding dancers of the most serious accomplishment, and stagings respectful and imaginative. Anything else is an insult to the work, to the audience, and to the art of ballet itself.

This *Beauty* was, shall we say, unlikely. Yury Grigorovich, whom I admire tremendously for what he has achieved during these dark times as master of the Bolshoi Ballet - through periods of political and artistic stagnation and uncertainty he has kept the company vital - loves and honours the classics, as we know from his productions. His young troupe does not possess artists able as yet to make sense of *Beauty's* massive demands in technique or style.

The Aurora (Elena Kizileva) was a soubrette; the Bluebird was a spine-thrilling youth who looked as if he should have been in bed hours before - in a few years time he may indeed become a Bluebird, but at the

moment he is physically immature. The other dancers marked time (if corps de ballet or dashed off their solos as a segue to get them over with). Only the Lilac Fairy (Natalia Bashkatova) suggested something radiant and apt for the ballet.

By the interval I wondered if flight were not the most honourable critical response. Duty prevailed. I stayed, and I was glad I stayed. The second part of the evening brought diversions from the traditional repertory which made sense of Grigorovich's idea of a "young" ballet, and of the subtext of the evening, which is the Russian heritage of classical training and performance. The dancers suddenly looked like dancers, at ease with their

art. Interpretations were, in the main, rewarding. The repertory was predictable - *Black Swan*, *Don Quixote* of course, but offered one gem in *The Naxos* and *The Fisherman* which is a not wholly suspect survivor from the 1950s. It was made by Jules Perrot in St. Petersburg. How it has survived (and how much has survived) can be debated; but its steps, like its Paganini music, are pretty and credible without being egregiously quaint, as six girls and two boys surround a principal couple with bright, buoyant dances. I liked Maria Moskina and Andrey Evdokimov as they sparked through it, just as I admired Tatiana Ledovskikh in the third act duet from *Swan Lake*, to which she brought mature

production of *The Rape of Lucretia* (with Jean Pigby, last performance tonight), Jonathan Miller's production of *Il barbiere di Siviglia* with Alan Ople as Figaro and a new production of *La bohème*, conducted by Noel Davies and staged by Steven Pinnott (final performance next Wed). Vicki's production of *La nozze di Figaro* is revived next Thursday (071-838 3161)

CONCERTS

South Bank Centre Tonight: Leonard Slatkin conducts Philharmonia Orchestra in works by Haydn, Weber, Liszt and Tchaikovsky, with piano soloist Alfred Brendel. Tomorrow: Barry Wordsworth conducts LPO in Elgar, Darius, John Rutter and Tchaikovsky. Tomorrow (Q&T): Ivan Fischer conducts Orchestra of the Age of Enlightenment in works by Krommer, Kozaluch and Benda. Sat: Uta Lemper. Sun: Peter Maxwell Davies conducts RPO in Holst, Maxwell Davies and Vaughan Williams, with violin soloist György Pauk. Sun (Q&T): Alban Berg and pianist Rudolf Buchbinder play chamber music by Dvorak and Janacek. Tues: Jiri Belohlavek conducts LPO in Dvorak and Janacek. Tues (Q&T): Hagen Quartet. Wed: Michael Schoenwandt conducts Philharmonia Orchestra in Dvorak and Brahms, with piano soloist Alfred Brendel (whose next concert is on Nov 4). November 1: Vienna Philharmonic Orchestra. November 2: Maurizio Pollini (071-928 8800). Barbican Tonight: Siberian National Folk Dance Ensemble. Tomorrow: David Atherton conducts London

same day on Oct 23, 30, Nov 13 and 20 (National 071-928 2252)

● Wallenstein: Tim Albery has condensed Schiller's play for this BBC production in The Pit (Barbican 071-638 8891)

● Exact Change: European premiere of David Epstein's new comedy about a trio of New Jersey restaurateurs who become embroiled in theft, kidnapping and dentistry. Opens on Mon (Lyric Hammersmith 081-741 2311)

OPERADANCE

Covered Garden The main event this week is the premiere by the Royal Ballet on Sat of new choreographies by Matthew Hart (music by Brian Elias) and William Tuckett (music by Ravel). In a mixed bill with a new production of William Forsythe's *Herman Schermerman* (with Sylvie Guillem) and a revival of Kenneth MacMillan's *Difficult Drummer* (repeated Oct 26, 27, Nov 10, 18, 24). MacMillan's production of *Romeo and Juliet* is revived on Oct 29 with Viviana Durante and Irek Mikhamedov. The Royal Opera's repertory consists of a revival of John Cox's production of *Yevgeny Onegin* conducted by Mark Emiler (with Dmitri Hvorostovsky and Catherine Malfitano), Mozart's *Mitridate* (with Jochen Kowalski, Luba Orgonasova and Ann Murray) and a new production of *Meistersinger* conducted by Bernard Haitink and staged by Graham Vick, with John Tomlinson, Thomas Allen, Gösta Winbergh, Deon van der Walt, Nancy Gustafson and Anne Howell (071-240 1058)

Coliseum English National Opera's repertory consists of Graham Vick's

te Kanawa song recital. Sat: Pinchas Zukerman, accompanied by Marc Nelbrug, plays violin sonatas by Mozart, Beethoven and Mendelssohn. Nov 1: Myung-Whun Chung conducts Orchestra of La Scala (tel 021 6943)

Gran Teatro del Liceu Next Wed: first night of Giordano's *Fedora*, with a cast led by Mirella Freni and José Carreras. Further performances Oct 30, Nov 3, 7, 10, 13 (tel 412 3532 fax 412 1198)

■ FLORENCE

Teatro Comunale Tomorrow, Sat, Sun afternoon: Georges Prétre conducts Wagner's *Im Sommerwind* and Mahler's *Das Lied von der Erde*, with Anne Gjeving and Gösta Winbergh. Next week's concerts are conducted by John Nelson. Nov 1: Daniel Barenboim piano recital (055-277 9238)

■ LONDON

THEATRE

● *Machinal*: Fiona Shaw stars in Sophie Treadwell's 1928 classic of the American avant-garde, about a woman who tries to break free from the pressures of a mechanistic world. Directed by Stephen Daldry in the Lyttelton (National 071-928 2252)

● David Hare *Tribology*: a three-part examination of major British institutions, presented in the Olivier Theatre by a single company of actors directed by Richard Eyre. *The Absence of War*, Mummuring Judges and Racing Demon can be seen individually - or all on the

INTERNATIONAL ARTS GUIDE

ATHENS

Megaron Concert Hall Tomorrow, Sat: pianist Dmitri Sgoros and Borodin Quartet play music by Brahms, Chausson and Stravinsky. Mon: ERT National Symphony Orchestra. Oct 29: Viktoria Mullova violin recital (01-728 2333/01-722 5511)

BOLOGNA

Teatro Comunale Tomorrow and Sat: Christian Thielemann conducts Beethoven's Fifth Symphony and Brahms' Fourth. Next week: Thielemann conducts Stravinsky and Richard Strauss. The opera season opens on Nov 27 with Puccini's *Trittico* (Bolognese, Ente Autonomo Teatro Comunale di Bologna, Largo Respighi 1, 40126 Bologna. No telephone bookings. For information, call 051-529999)

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A bite at an American giant



BOOK REVIEW

International Business Machines has been crippled by arrogance, stupidity and a "gridlock culture", writes Paul Carroll. The computer giant, long revered as a model of American enterprise, has been brought to its knees by managers so intent upon outmanoeuvring each other that they lost touch with the realities of the marketplace, he maintains.

In *Big Blues, the Unmaking of IBM*, Carroll portrays IBM at its worst, skimming over its achievements and emphasising its supposed mistakes. He ridicules individual IBM executives and dismisses them collectively: IBM is, he writes, "like a music-publishing company run by deaf people".

The book is so one-sided that, as one independent industry observer says: "The reader is left with the impression that the only good IBMer is a dead IBMer... the rest are either bad or ugly or stupid."

Carroll's perspective has been shaped heavily by IBM's critics. He cites in his acknowledgments "senior people at Microsoft", IBM's rival in the personal computer software market, as well as former IBM employees, many of them embittered at losing their jobs. IBM refused to co-operate with Carroll.

Thus, *Big Blues* provides, for example, accounts of meetings between Bill Gates, Microsoft chairman and chief executive, and IBM executives. The IBM executives are portrayed as clumsy, whereas Gates, seemingly, can do little wrong. Not that IBM does not deserve criticism. Even within the company, few would now deny that its cumbersome management structure has hampered its ability to adapt to changing market conditions. Unfortunately, however, the author never properly explains the underlying causes of IBM's falling revenues, losses and high debt charges.

The roots of IBM's problems lie in the developments in computer technology that have slashed computer prices and lowered makers' margins.

BIG BLUES - THE UNMAKING OF IBM

By Paul Carroll
Crown Publishers Inc.
375 pages, \$24

The PC was initially a boon for IBM, boosting its revenues and profits to record levels by the mid-1980s. However, as low-cost PCs began to account for an increasingly large portion of most companies' spending on information technology, growth in the more profitable mainframe sector - IBM's core business - slowed.

PCs seldom directly replace mainframes, but by performing tasks that might otherwise have required mainframe upgrades, they, in effect, limit growth in the mainframe market, intensifying competition and putting pressure on prices. The average price of an IBM mainframe has declined by more than 40 per cent over the past 12 months, according to industry observers. This, more than any other factor, accounts for the company's decline in operating earnings.

Carroll, however, concentrates on IBM's relatively lacklustre performance in the PC market - and plays down the problems of adjusting to the decline in mainframe profits. His theme is the "rise and fall of the (IBM) PC and the rise and fall of IBM that went along with it".

IBM's biggest failing has been to "squander its opportunities to turn the PC, or anything else, into a business that would wax as mainframes waned", he writes. If IBM had held on to a larger share of the PC market, its PC operations could be more profitable, compensating for declining mainframe profits, he implies.

This might have been achieved, Carroll asserts, if IBM had only had the presence not to allow Microsoft to license the DOS PC operating system program to other PC makers. This mistake, he reckons, has cost IBM more than \$15bn a year in revenues by giving hundreds of companies an opportunity to sell "clones" of its PCs that can run the same software.

But the flaw in his argument is to assume that if Microsoft's MS-DOS had not become an

industry-wide software standard, IBM would have been able to dominate the market and reap the rewards. Many would argue that the growth of the PC sector is in large part due to the availability of thousands of applications programs that can run on PCs from many different manufacturers. Apple Computer, the one PC maker that has stuck with its own software - the strategy that Carroll would have had IBM follow - trails IBM in terms of market share.

Still, this argument provides Carroll with an excuse to devote much of his book to describing how a "bunch of kids" from Microsoft outwitted the managers of Big Blue.

When the Microsoft-IBM relationship began in 1980, he points out, "IBM had 340,000 employees, \$37bn of assets, \$26bn of sales and \$3.6bn of profits, while Microsoft began the relationship with 32 people and little else. IBM still found a way to lose."

Only in brief reference to the feelings of former IBM president Jack Kuebler, does Carroll allude to the possibility that Microsoft might owe much of its success to its partnership with IBM. Gates and IBM finally parted company last month when their agreement to work together on PC software expired.

Neither is Carroll inclined to dwell on the fact that IBM's PC business is now winning market share from its competitors. IBM PC unit sales are estimated by industry observers to have risen by more than 30 per cent this year.

Yet even if IBM were to triple its PC sales, the problem would remain: its worldwide operations were built to make and sell computers that returned a gross profit margin that is no longer attainable. To remain viable it must cut jobs.

Big Blues throws light on the inner workings of one of the most complex corporate institutions in the world. It also contains an important lesson for all corporate managers: to remain focused on external competitors and not allow internal politics to consume their energies.

Louise Kehoe

Some recessions are said to be "home-made". But if there is one sure feature of the recent faltering in the British recovery, it is that it has been made abroad. The key factors are the continued decline in the European economies, which constitute Britain's principal export markets, and the slow and hesitant nature of any recovery that may be taking place elsewhere in the world.

No clever manipulation of domestic budgetary or monetary policy will allow Britain to contract out of events in Europe or the wider world, whatever the Euro-sceptics may wish. Meanwhile a simple programme for European revival has been presented by none other than the international financier, George Soros. His success in speculating against sterling in the face of a wide-open opportunity should not elevate him to the status of prophet, nor should it cause his policy proposals to be sniffily brushed aside. They deserve a hearing on their merits.

His first suggestion is that the French authorities should take advantage of the disappearance of the narrow ERM band to reduce short-term interest rates now by about 3 percentage points. This should preferably be done in conjunction with other members of the

The Bundesbank proposed wider ERM margins several months before the crisis

ERM and with a negotiated extension to two years of the French debt to the Bundesbank, arising out of this summer's support operations.

A reduction in French interest rates has been proposed frequently enough. But a newer element is provided by the second Soros suggestion that the resulting appreciation of the D-Mark, and the consequent weakening of the German economy, would hasten the reduction in German interest rates. The net result would be a European recovery, in which Germany would eventually join, and in the end a pattern of exchange rates not far different from that prevailing this summer before the collapse of the narrow ERM band.

It is however the financier's third proposal that differentiates his package from the common run. This is that after about two years some countries would be able to move to

ECONOMIC VIEWPOINT

How to cope with the slowdown

By Samuel Brittan

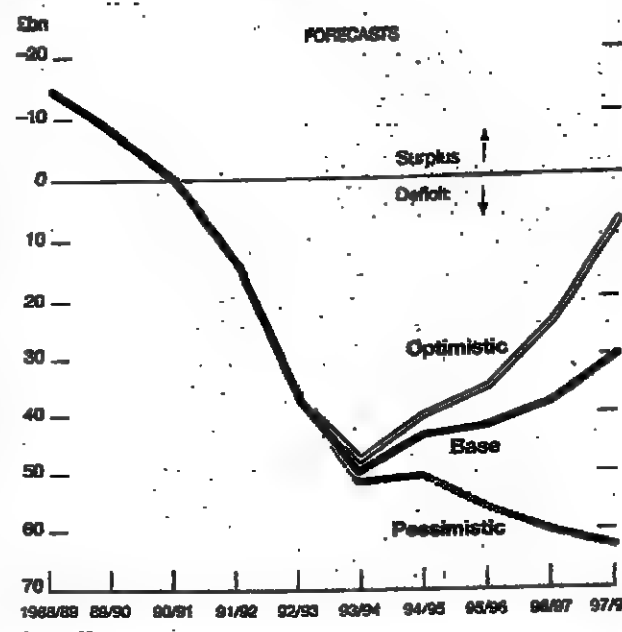
a common currency directly, without reinstituting the narrow bands. Thus the present vicious circle of European disintegration could be turned round into a virtuous one.

What is not generally known is that the early stages, at least, of something close to the Soros package were nearly got under way earlier this year. For at the meetings of the EC Committee of Central Bank Governors, called to consider the "faul line" in the ERM after Britain's departure, the Bundesbank proposed a temporary widening of the ERM margins. Because the proposals were given the thumbs down by partner countries, Bundesbank representatives never got as far as proposing a specific range. But what they had in mind was something like a 6 to 10 per cent margin on either side of the central parity. This would have been enough to give France and other countries much more room for manoeuvre on interest rates, without destroying the medium-term credibility of the ERM.

It was because of the rejection of this proposal that the EC Central Bankers' Committee, in common with the Monetary Committee, issued a thin report, suggesting no more than minimum changes in the ERM and implying that everything would have been all right if the UK had joined at an appropriate exchange rate and kept to the rules of the game.

German representatives had another go during the fateful weekend meeting of July 31 and August 1, called in response to the tidal wave of speculation that had hit the French franc. As is known, they proposed a temporary floating of the D-Mark, while allowing the rest of the ERM to continue. The Netherlands announced that it would stay with the D-Mark and Belgium threatened to do the same after objecting to the German proposal. What is not so well known is that almost every other ERM member, including countries such as Denmark

PSBR projections



and Ireland, threatened to stick with the D-Mark. In that case the French franc would have been left to depreciate alone, precisely the result that the French prime minister, Edouard Balladur, was determined to avoid because of his no-devaluation pledge.

A tax suggestion

Meanwhile the British Chancellor has been left to consider what to do in the face of a large budget deficit, which he cannot rely on righting himself, and in the face of a fragile UK recovery. The first consideration points to financial tightening and the second to loosening, or at least doing nothing.

Two remarkably similar attempts have been made to square this circle, one by the Institute for Fiscal Studies in its Green Budget prepared in collaboration with Goldman Sachs. The other has been made by the Panel of Independent Forecasts established by the Treasury.

In the recent past, fiscal policy has been less potent than expected and monetary policy more potent. But that does not justify writing off fiscal policy altogether. The Green Budget authors do not support hysterical talk about an immediate fiscal crisis. Nor, to be more practical, does the 10 per cent age-point reduction in gilt-edged yields so far this year suggest such a crisis.

Nevertheless if the debt ratio is to stabilise at just over 50 per cent of GNP, which it is likely to reach by the late 1990s, then the Green Budget estimates that the PSBR will have to come down from its present 8 per cent of GNP to around 2½ per cent. (This assumes that inflation is also 2½ per cent.) A similar target estimate is reached if the object is to stabilise the net assets of the public sector.

The Green Budget authors suggest that a cumulative tax-increasing package of £6bn

should be phased in over the period up to 1996-97, but that only, say, £1bn of tax increases should be announced for next year. They also recommend that there should be even more interest rate cuts if fiscal tightening restrains the economy.

Several reservations must be registered. First, interest rates cannot be determined irrespective of what is happening in other countries. The British have already had the on-off depreciation recommended by France by Soros. Second, Norman Lamont already used to the maximum the Augustinian strategy of "fiscal virtue but not yet", to the tune of either per annum of tax increases in the pipeline for the next two years. Further doses would deepen consumer pessimism.

Third, the authors try too hard to be shadow political strategists for the Tories (irrespective of their personal political views). Hence their reluctance to leave tax decisions for later Budgets nearer an election. Their main job should, however, be to lay out appropriate economic policies before going on to discuss how policies may distort policies.

Fourth, the authors too quickly dismiss the question of spending reforms. Here again the authors try too hard to be politically realistic. But even if worthwhile reforms cannot take effect in this parliament, early legislation would cast a shadow beforehand.

In fact, a modest amendment to the Green Budget proposals would transform them into common sense. The Green Budget argues for phasing out mortgage interest relief and restricting the value of the main personal allowance to the 20 per cent income tax starting rate. Such changes have the advantage of not increasing the most conspicuous marginal tax rates and - unlike VAT widening - of not having a knock-on effect on the RPI.

If these changes are desirable for their own sake, why not announce a definite timetable for them? But instead of presenting them as net tax increases, the chancellor should leave open - and not just in the small print - the possibility of offsetting tax reductions if the economic situation either permits or demands such cuts. Of course, UK mainstream economists turn pale at the mention of tax cuts, even as part of a neutral package. Another flavour should be given to the debate.

* Prospect for European Disintegration. Soros Foundation, 7th Avenue, New York, NY 10106

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

EC research leads to practical spin-offs

From Dr Peter Dawig.

Sir, I would like to agree with Professor Whitty's letter (October 20) and point out that not only have the Alvey, Esprit, Race and other programmes had valuable results, they have been of benefit to at least a part of the EC's constituency: the financial community.

Many in the community are becoming aware of the implications for the markets of parallel processing (much technology for which was generated through the above programmes) and are investigating it. Indeed, almost three years ago the FT carried a piece on the application of parallel computing in the financial markets: a system installed at JP Morgan in London (Technology, November 2 1990). The computer system underlying it was a commercially available product derived from the Esprit programme.

Since the time of that article, parallel processing has developed somewhat, not least with the entry of leading players

such as ICL, Digital, IBM and Tandem. The areas of application have also become more diverse, with a growing number in general commerce.

This centre is an example of that. While it devotes a large part of its effort towards the problems of the financial community, it is also working in areas as various as planning and scheduling, marketing, management information systems, architecture and engineering. These projects, which are being carried out in close co-operation with industry, have practical, business-oriented goals. Nonetheless, many may ultimately rely for their technological underpinnings, whether hardware or software, on products derived, directly or indirectly, from the results of the above programmes.

Peter Dawig, director, The London Parallel Applications Centre, Queen Mary and Westfield College, Mile End Road, London E1 4NS

Corporate capital creates adverse impact on Names

From Mr Alan J Leboff.

Sir, In spite of my children and I having lost a fortune at Lloyd's, and ignoring the pleas of the chairman of a number of action groups, we submitted our proxies in favour of the chairman at Wednesday's meeting (and therefore in support of the introduction of corporate capital) on the basis of the many communications we have received assuring us that corporate capital is essential for the health and future of Lloyd's and that it will in no way adversely affect the interests of existing Names.

On Wednesday morning, I received by post from my underwriting agents a fuller explanation for the substantial and unanticipated additional cash call they made last week saying "The cash calls... stem from the decision of Lloyd's to

discontinue cross lending by Syndicates within the Lloyd's American Trust Fund, in anticipation of the arrival of Corporate Capital in 1994."

If asking me to pay yet more money now "in anticipation of corporate capital in 1994" is not being affected adversely, what would be? You may be sure that had Lloyd's made the choice plain "vote for corporate capital and it will cost you", we would have voted against. How do we get across to those in power there is a limit to the money Names can find and that should be their first priority, not the shape in which Lloyd's will enter the 21st century?

Alan J Leboff, Andean, South Park Crescent, Gower's Cross, Buckinghamshire SL9 8EJ

Why regulation often fails

From Mr P H Twyman.

Sir, No doubt inadvertently, the letter from Mrs Celia Hampton, editor of Business Law Brief (October 16), neatly illustrates the irrelevance of many regulations and the desirability of cutting red tape. She says that many people are unaware of the risks of using the same knife to cut raw and cooked meats and that the regulations aim to stop an outbreak of food poisoning. However, if people are ignorant, no amount of regulation will solve the problem. A much better approach would be a public information

campaign which would probably render much of the excessive environmental health legislation completely unnecessary.

Unfortunately, the automatic reaction of many people to a problem is to devise a regulation which, it is hoped, will deal with the problem. Until the government devises systems to overcome this automatic tendency, its deregulation initiative is bound to fall short of its objectives.

P H Twyman, Political Strategy, 11 Fisson Road, London SE5 8AX

Brunei debts about to be settled

From Mr Jaiin Abdullah.

Sir, Your article headed "Brunei default on debts alleged" (October 20) fails to highlight the fact that this matter concerning just \$4,000 is within days of being settled. While there can be no adequate excuse for some of the delays which have occurred, it is not true to say that our

promissory notes on behalf of students are "worthless". We are unaware of any "other debts in the United Kingdom" which remain unsettled.

Jaiin Abdullah, first secretary, High Commission of Brunei Darussalam, 19 Belgrave Square, London SW1X 8PG

Cynicism could obscure important debate on internal controls

From Mr Michael Chamberlain.

Sir, The unjustified cynicism of Mr George Lapsley and Mr C M Simon (Letters, October 8 and 15 respectively) about the reasons underlying the recent publication of draft guidance on internal control threatens to obscure what promises to be an important debate in the Financial Times.

First, the working group on internal control is not "the working party of the Institute". It comprises individuals put forward by the "hundred group of finance directors" and the English and Scottish Institutes of Chartered Accountants.

Only two of its six members are in practice, the others are directors.

The views expressed are those of the working group and do not, at this stage of the consultation process, represent the considered views of any other body.

Second, the working group was set up at the request of the Cadbury Committee itself which had highlighted the importance of a framework of effective accountability; the committee had also recognised that considerable work was required not only to develop a set of criteria for assessing the

effectiveness of internal control systems, but also to provide guidance on the form in which directors should report.

As noted in your Leader ("Tightening up internal control", October 5), such matters produce a "catnip" effect on accountants who have traditionally found themselves made responsible for these matters.

Third, the draft offers guidance to the directors of listed companies and does not seek to impose additional audit requirements.

Fourth, the draft is consultative.

tive. Comments received by the deadline of February 28 1994, including we hope from Messrs Lapsley and Simon, will be considered by the group and will be either incorporated or noted in its final response to the Cadbury Committee.

It will be up to the Cadbury Committee to decide how the response should be used.

Michael Chamberlain, president, Institute of Chartered Accountants, Chartered Accountants' Hall, Moorgate Place, London EC2P 2BJ

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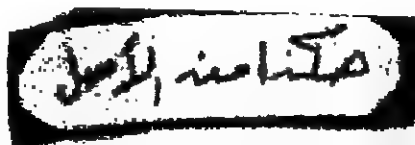
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Thursday October 21 1993

A less easy partnership

GERMAN REUNIFICATION took place in 1990 after extensive negotiations between Bonn and its Nato and EC allies on the foreign policy implications of a larger Germany. On the economic aspects of bringing together Germany's disparate parts, for instance over the terms of the D-Mark's entry to the east in July 1990, there was little or no consultation. This may have appeared a plausible course at the time, but it now looks a miscalculation. Bonn's policy errors during the past three years have increased the already considerable economic problems of integrating east Germany, as well as the length of time they will persist.

For Germany's EC partners, this has two sets of consequences. First, unification-induced inflationary pressures, by forcing the Bundesbank to maintain high short-term interest rates that were then transmitted abroad, have contributed significantly to the European recession and to 1992-93 currency unrest.

Second, the need to finance large fiscal transfers to support east German living standards has become a factor behind wider strains in Germany's relationship with the rest of the EC. Because of the size of the east-west German economic gap, these payments - currently equivalent to 5 per cent of German gross domestic product - are likely to persist at least until the end of the decade. The Community thus stands merely at the beginning of its task of adjusting to the emergence of a Germany which has become bigger, poorer and more polarised.

Community compliance

Extra funds for east Germany are, however, unlikely to be forthcoming unless Germany maintains high standards of compliance with Community legislation. One disturbing signal at the end of last week was the Bonn government's defiance of EC limits on land which can be sown with cereals in eastern Germany.

In the past, German agriculture ministers have negotiated special arrangements - consistent with Community law - to offset cuts in EC payments to farmers with national subsidies. The attempt to put the special predicament of east German farmers above the requirements of reforming the Common Agricultural Policy is, however, a more serious matter. It undermines attempts to persuade the Paris government to agree curbs in agriculture support that are crucial for the talks on the General Agreement on Tariffs and Trade.

German scepticism

One particular difficulty centres on the scepticism of the German public about the wisdom of exchanging the D-Mark for a single currency. Doubts are growing whether Germany itself will be able to fulfil the stability-oriented criteria designed to determine which countries could participate in economic and monetary union. Mr Otmar Issing, a leading member of the Bundesbank directorate, last week gave the first official warning that overall German public sector debt could "at least temporarily" breach the 60 per cent Ecu target laid down in the Maastricht treaty.

There must be longer-term doubts, too, about the sustainability of solid and reliability.

Right lines for rail privatisation

THE parliamentary arguments over the privatisation of British Rail look set to run until the very end of the legislative process. Not until the royal assent has been given to the bill can the government be certain of the final shape of its plans. Yet the broad outlines of the strategy for privatising Britain's railways are now clear.

At the heart of the approach is the separation of the railway infrastructure from the running of trains. A new company, Railtrack, will own the rail network - track, signalling and most of the stations. Passenger trains will be run by 25 operating companies, each paying charges for using the track. BR's freight operations, to be divided into three companies and privatised, will also pay for track use. A rail regulator will ensure free competition, monitor safety arrangements and preserve network benefits such as through ticketing and timetables.

This structure brings many benefits, including the creation of separate businesses focused on particular functions. Railtrack, for example, can concentrate on the rail infrastructure which has so often been neglected under state ownership. BR's maintenance operations are to be privatised as 14 competing companies which will bid for contracts. Significant efficiency savings on the infrastructure operation should follow, as elsewhere in the public sector where contracting-out has been introduced.

Longer franchises

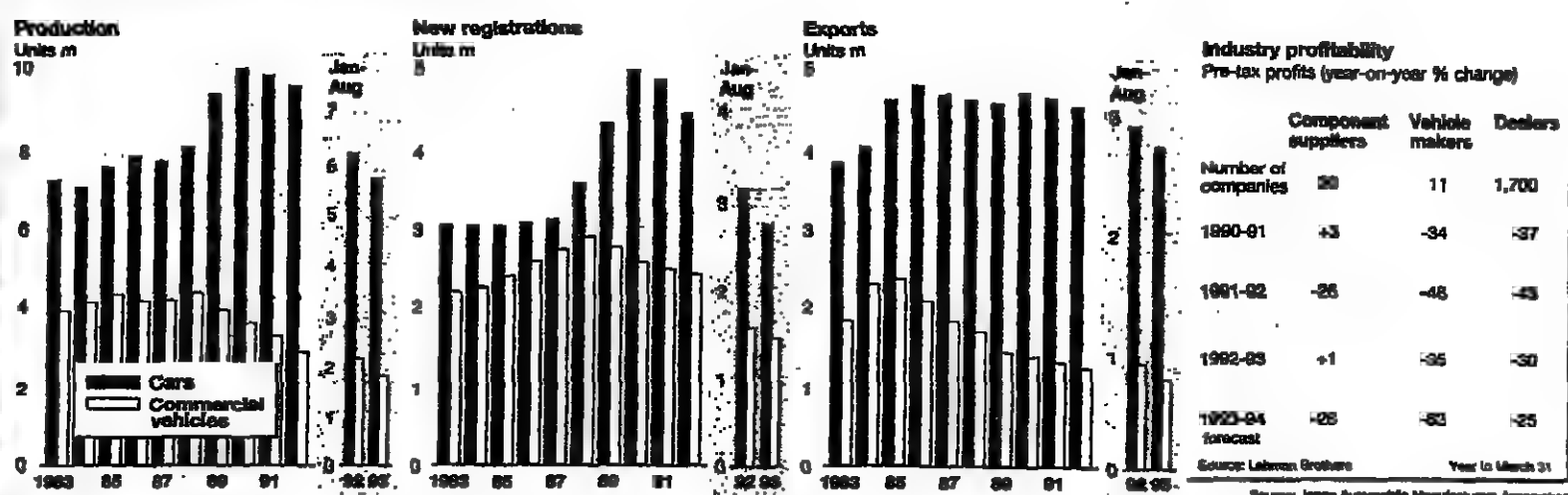
On balance, however, the gradualist approach is to be welcomed. By phasing in franchising initially for shorter periods, experimentation can take place. Once teething troubles have been dealt with, there is nothing in the structure of BR privatisation to prevent longer franchises.

What would not be welcome is the demand of opponents of rail privatisation - including some government backbenchers - to allow BR to compete for franchises. This could lead to BR winning many - if not most - of the franchises, cross-subsidising its bids to fend off competition. It would also deter management buy-outs, since managers would be understandably unwilling to compete with their own employer.

If BR is allowed to bid, it will not be the end of privatisation. Vigorous regulation could ensure that BR finds it hard to abuse its dominant market position. And the structure is sufficiently robust to allow further legislative change at a later stage when the fears of those who oppose privatisation can be shown to be illusory. But with management teams already planning their bids in the first round of franchises, it would be damaging if the only group of people discouraged from bidding were the managers who have the greatest experience in running the railways.

This is the second of two editorials on rail privatisation. The first appeared on October 15.

Japan's automobile industry: forced to swerve



Japanese carmakers are on the rack and the screws are still being tightened. After decades of virtually unbroken growth, vehicle production and sales in Japan are falling for an unprecedented third year in succession.

While their US and European rivals are only too used to the cycles of feast and famine in world auto markets, the Japanese companies are having to learn to cope for the first time with a prolonged recession, and they are ill-prepared. During the overheated years of the bubble economy at the end of the 1980s, the Japanese over-indulged with an excess of new models and features. Ironically, the masters of lean production have put on weight, and they are learning that a forced diet is neither easy nor painless.

Tomorrow Japan officially opens the doors of the biennial Tokyo motor show. Behind the scenes, the mood has changed significantly from the self-confident celebrations of 1991 and 1992, when the formidable array of new concept and production cars unveiled by Japanese producers threatened to engulf rivals from the US and Europe, prompting one visitor to call the 1989 show "Apocalypse, Wow".

Most of Japan's 11 vehicle makers are currently operating at a loss or, at best, around break-even in their car and commercial vehicle operations, says Mr Koji Sudo, a leading automotive analyst at Lehman Brothers, the investment bank, in Tokyo. The only producers that are still avoiding the spreading stain of red ink are Mitsubishi Motors and Suzuki. Honda is spared only by the strength of its motorcycle and parts businesses - its car operations are also in loss, he says.

Even Toyota, by far the strongest Japanese carmaker, is expected to fall into an operating loss for the first time in its history, in the six months to December, although its strong financial earnings will probably protect it from a net loss.

Japan, the apparently unstoppable juggernaut of the world auto industry, has been forced off the road.

For three decades Japanese production rose, from fewer than 500,000 vehicles in 1960 to 13.5m in 1990. The industry has survived previous world recessions with barely a blip. If the protected domestic market weakened, the heat was turned up in export markets.

But this time, Japanese vehicle makers are facing a challenge of a different order. The length of the downturn in the domestic market is without equal. The old remedy of exporting their way out of trouble is not available, with many foreign markets also weak or deep in recession.

Their competitiveness abroad has been battered by a savage appreciation in the value of the yen - of about 20 per cent against the US dollar this year alone. The era of cheap finance raised on Japan's stock and bond markets in the 1980s, which fuelled earlier growth, is past, but profit and loss accounts are now sagging under the hangover of depreciation from over-ambitious capital investments decided in the bubble economy years.

The industry is suffering from serious overcapacity and a growing

Japan's auto industry is ill-prepared for such tough times, writes Kevin Done

Juggernaut veers out of fast lane

surplus of labour. It is staring at the unpalatable task of closing plants and shedding jobs. "The Japanese automotive industry will go through a very painful period of restructuring," says Mr Yoshikazu Kawana, an executive managing director of Nissan, Japan's second largest carmaker and one of the world's top five, which is now facing its second successive year of heavy losses.

"We have always lived in a time of growth," he explains. "Now we are having to build a business structure without depending on an expansion in volume, without depending on growth. This concept has not been thought of in the past by Japanese industry."

Japanese carmakers apparently can see no end to the current decline. "For the last three years market forecasts have been saying it would get better in six months," says Mr Nobuhiko Kawamoto, chief executive of Honda. But new car sales fell by 13 per cent in the past two years, and domestic registrations dropped a further 5.5 per cent, year-on-year, in the first nine months of 1993.

There is little help to be gained from foreign markets - apart from in southeast Asia - in the face of the twin barriers of recession and trade conflicts. Vehicle export volumes have been in steady decline since 1985 - a trend that had been anticipated, as Japanese vehicle makers built up a firm foreign production base, with output abroad jumping from 800,000 vehicles in 1985 to almost 1.5m in 1992. In the second half of the 1980s the drop in exports was more than offset by the surge in domestic demand, but the Japanese motor industry miscalculated. The home market was not expected to go into free fall, and now the export safety valve is closed off.

Europe has seen new car sales fall 16 per cent in the first nine months of this year, and the European Community has forced a drastic cut in Japanese shipments to the EC under the present system of "voluntary" monitoring of Japanese direct vehicle exports.

In North America demand may be emerging in fragile fashion from recession, but unlike in previous decades there are no easy pickings. The US domestic industry is rejuvenated. After a string of heavy losses, the big three producers, Chrysler, Ford and General Motors, earned net profits of \$2.3bn in the second quarter of this year alone.

The appreciation of the yen is forcing Japanese car producers to raise prices much more rapidly than their US rivals, undermining their competitiveness. They are losing market share - from 25.7 per cent of the US car and light truck market in 1991 to 23.3 per cent in the first nine months this year. Symbolically, at the end of 1992, the Ford Taurus displaced the Honda Accord as best-selling car in the US.

The task of adjusting to the appreciation of the yen is not new, but the industry has been taken by surprise at the rapidity of the rise this year. Toyota calculates that its profits fell by close to ¥10bn (\$82.5m) for every ¥1 rise against the US dollar. "The problem is not the level of the yen appreciation but the speed," says Mr Terukazu Inoue, Toyota managing director for product planning.

Nissan faces one of the most serious restructuring challenges. It is suffering heavy losses and high overcapacity in Japan, just as it is in the process of moving further tranches of production abroad.

Mr Kawana of Nissan says, however, that all producers will have to take the same actions sooner or later to reduce costs, lengthen model life cycles, lower employment, and close some plants. Other steps would involve:

- use of more common components in different model ranges. At Honda 60 per cent (by value) of the components of one of its most

recent new models, the Domani, are taken from other existing ranges;

- reducing the number of different model variants. At Nissan one model was offered with 87 different varieties of steering wheel alone. It only needs 10, says Mr Kawana;
- increasing co-operation between vehicle makers. Less-making Isuzu has abandoned making saloon cars. Instead, in Japan it will purchase cars from Honda for sale under its own badge. In return Honda is buying four-wheel drive leisure/utility vehicles from Isuzu for sale under the Honda badge. Nissan and Mazda are swapping some light commercial vehicles.

Many of today's problems stem from the Japanese motor industry's original belief in its own propaganda about its lean production and development systems. "We tried to meet too many customer needs, we started developing too many models in too small volumes," says Mr Kawana. "Now we must eliminate waste in the product development process and slim down."

Nissan calculates that it has an overcapacity of 400,000-500,000 vehicles a year in Japan. It announced that it would be forced to close one of its most famous plants, Zama near Tokyo, in 1995. Closures were previously unheard of. "The auto industry had always enjoyed growth," says Mr Kawana. "To realise the industry had come to such a turning point was a shock... That was just the start."

In three years from 1993 to 1995 Nissan is cutting its workforce in Japan by 5,000 to 48,000. Honda is also cutting 10 per cent of its assembly line workers over five years; it has halved output on one assembly line; similar action could follow on a second; and it is transferring surplus car workers to its healthier motorcycle operations.

Companies are carrying surplus labour because of Japan's system - until now - of life-time employment. "It is becoming an obstacle hindering the slimming down [of the industry]. This is becoming a crisis now," says Mr Kawana.

If the currency problems persist, Honda will have to shift more production abroad in the long term, admits Mr Kawamoto of Honda. "but we also have to secure employment here. It is a sensitive matter... The situation is still unpredictable, but we must prepare. In the longer term we have to reduce production in Japan. We are losing our power to sell from Japan."

Established management approaches are being overturned. The need to cut costs has forced the setting of "simple, clear, speedy targets," says Mr Kawamoto. "We are having to do this from the top down. It is very different from the traditional bottom-up Japanese systems."

Japanese carmakers are working feverishly towards meeting the targets they have set themselves. Their rivals in America and Europe, which have suffered the onslaught from Japan for so long, will float at their peril over Japan's present woes. Japanese carmakers' underlying productivity has still not been matched elsewhere, and the machine should emerge leaner and fitter from the present trials. It is making the task of restructuring the European motor industry even more awesome.

Trimmed to the bone

Michiyo Nakamoto on carmakers' efforts to curb costs

Teams of Toyota engineers have recently been visiting each other's plants in Japan more frequently than usual. Their visits are part of a bold attempt to reduce manufacturing costs by at least ¥100bn (\$635m) for the second year running.

The "value analysis" initiative is being pursued energetically by Toyota and its Japanese competitors: they are scrutinising the costs of car manufacturing down to the smallest detail in the search for savings. A similar exercise called "value engineering" is also under way for new models that are still in the design stage.

Companies are looking for savings over a short time scale. "It normally takes several years to cut costs by 20 per cent to meet the 20 per cent rise in the yen, and we have to do that in a year," says Mr Takashi Hamaguchi, deputy general manager

of purchasing at Nissan. "Suggestions on how to reduce costs have been made by everyone. There was even a suggestion to do away with the vanity mirror," says Mr Goro Itoh, general manager of the cost planning department at Toyota.

Other suggestions which have been adopted are already bringing savings:

- By moving an electric wire harness that runs beneath the floor of one model to the side and bending it slightly, Nissan was able to reduce the overall size of the bracket that holds the harness down, thereby reducing costs by ¥20 for each car.
- Toyota reduced the curve in the windshield of its best-selling Corolla model with a saving of ¥800 a car. It also stopped covering the "side members" - holes at the bottom of the car body that are designed to reduce overall weight - with rubber covers

each costing ¥4. Such a detailed examination of where costs can be made has resulted in Toyota introducing some 1,600 changes on the Japanese version of its Corolla family car. Many ideas have come from components suppliers, all of which have been asked by Toyota to review their production costs.

"The unit cost reductions will come from our suppliers, which make up 80 per cent of our costs," says Mr Nobuhiko Kawamoto, Honda chief executive.

In an effort to contain the development costs of new models, Honda has been talking to its components suppliers earlier in the design process. The exercise has clearly paid off: Honda was able to cut the capital spending needed for developing its recently launched new generation Honda Accord by 50 per cent compared with its original estimates.

OBSERVER



'Let's make swords into ploughshares then slap VAT on them'

who deems himself a "young 57", warns that it is too early to talk of succession. Also, Harrison's position in the triumvirate is deftly cemented by his inclusion in the inner-most cabinet, known as the Office of the Chairman.

Sage advice

■ The CBI's Andrew Sentance will now definitely be off by the end of the year to join fellow UK Treasury economic adviser David Currie at the London Business School. So the Treasury is hoping that Sentance will do the decent

thing and stand down from its panel of wise men - two people from the same stable would make things a trifle unbalanced.

If Alan Budd, the Treasury's chief economic adviser, is stuck for inspiration in his search for a replacement, he might care to consider the distasteful side of the profession. With economists from the consultancy world unrepresented on the panel, Penelope Rowlett of National Economic Research Associates and Bridget Rosewell of Business Strategies should be on any shortlist, as should Marion Bell of the Royal Bank of Scotland. The latter, who spent two years recently on secondment to Great George Street, even has some insight into how the whole shop works.

Ruth Lea of Mitsubishi Bank could be another candidate - though she might, unjustly, be ruled out for being too argumentative.

Selecting a woman would certainly mesh with the Treasury's campaign to stop the panel being referred to as the seven wise men.

Realms of gold

■ "Were it not for gold and women, there would be no damnation," Elizabethan dramatist Cyril Tourneur might have had a point about gold.

Timothy Green, a former editor of the Illustrated London News, who this week reissues his book,

The World of Gold, reckons that a good many souls have been lost in the cause of gold smuggling. But smuggling is not what it was, once, at least half the world's gold output ended up in smugglers' hands. But Green says they are now being driven out of business by many important markets - such as India - liberalising trade to the point where smuggling is becoming pointless.

The nostalgic, though, can still find smugglers who talk of "a jacket" - rather than ounces - of gold, a reference to a stout canvas jacket, with pockets deep enough to fit 100 bars, or 375 ounces.

More practically, today's smuggler usually resorts to internal rather than external concealment; the ideal "biscuit", or bar, now requiring softly curving corners.

Glad hand

■ Having topped off a pair of Vivienne Westwood's shoes in Paris, British supermodel Naomi Campbell was taking no chances with her platform appearance at the British Fashion Awards on Tuesday night.

This time she strode on to the catwalk hand-in-hand with Brian Pitman, chief executive of Lloyds Bank, which sponsors the awards. Pitman told envious colleagues afterwards that Campbell grasped his hand to steady herself backstage, and then kept hold. And they say banking is dull.

German postwar era 'at an end'

Quentin Peel on rightwing presidential candidate Steffen Heitmann

CHANCELLOR Helmut Kohl's controversial conservative candidate for the German state presidency, Mr Steffen Heitmann, is a passionate believer that Germany's "special role" in the post-war world is finished.

"I believe the postwar era has come to an end," he told the parliamentary caucus of his Christian Democratic Union on Tuesday night. "Germany had a disastrous special role forced upon it after 1945. As far as I am concerned, that time is past."

Quite what he means by the phrase is unclear. Mr Heitmann, who was formally nominated for the presidency last night by the CDU and its Bavarian sister party the Christian Social Union, won resounding applause this week from party colleagues in the Bundestag, the lower house of parliament. Yet it arouses deep foreboding in the world at large, and in particular from people like Mr Ignatz Bubzer, leader of the Jewish community in Germany. Chancellor Kohl and a clear majority of his CDU have closed ranks behind Mr Heitmann, hitherto a rather retiring justice minister in Saxony, to insist he



Steffen Heitmann: Germany 'had a disastrous role forced upon it'

should take over the German presidency from Mr Richard von Weizsäcker next year.

At an extraordinary meeting of the parliamentary group this week, his supporters booed and whistled at the respected presi-

dent of the Bundestag, Mrs Rita Süssmuth, when she questioned his conservative views on the role of women in German society. It was clear that the widespread criticism of the chancellor's choice, in the German media, from the opposition Social Democrats and the minority Free Democratic party in the ruling coalition, has caused the party to dig in for the defence.

Yet what is most remarkable about Mr Heitmann is how unremarkable he is. As he says himself of his role in East Germany before the revolution: "I was never much of a hero." He is rather quiet, rather grey and rather insecure. This was his biggest public appearance so far.

Nonetheless, he spent out an eight-point programme for the party which won enthusiastic backing. Top of the list was his determination to use the presidency to reinforce east-west integration. Second was his insistence that Germany's special role was over.

"Germany should become a normal people among normal peoples," he said. Germany should also be able to behave like

any normal member of the United Nations, sending its troops on peacekeeping missions. He does, however, still make an exception for former Yugoslavia, where the wartime memories are too recent.

He speaks out for European integration and reconciliation with east as well as west, for new moral values in society, a reduced role of the state, more emphasis on marriage and the family, a belief in national culture, protection of the environment and aid to the third world.

Most of his points are well within the mainstream of good Christian Democratic thinking in Germany. But he lacks the sophistication to present it for public consumption.

Mr Heitmann had a tough childhood in Dresden after the war. His father died in a Russian camp in 1945. His mother died of tuberculosis when he was 12. The election for the next state president is not until May. But all the main political parties are now locked into the struggle with party political candidates.

Editorial Comment, Page 15

Threat to Canadian helicopter deal

By Bernard Simon in Toronto

A UK-ITALIAN consortium and Canadian defence chiefs are preparing a last-ditch effort to dissuade leaders of Canada's Liberal party from cancelling a C\$5.8bn (US\$4.3bn) helicopter order after Monday's general election.

The Liberals look almost certain to win the election, according to opinion polls. Mr Jean Chrétien, the Liberal leader, has promised during the campaign that an incoming Liberal government's first acts would include cancelling the order for the 50 EH-101 helicopters, which was placed in mid-1992 by the present Progressive Conservative government.

The main contractors for the

helicopter are EH Industries, a joint venture between the UK's Westland Group and Agusta of Italy, and Paramax, a Canadian company controlled by Unisys, the US electronics group. EH Industries will supply the basic aircraft, while on-board systems will be provided by Paramax.

The Liberals and other opposition parties have attacked the helicopter order as an extravagance at a time of fiscal austerity. They also question the need in the post-cold war era for an aircraft designed largely for anti-submarine work.

The deal's supporters counter that the Canadian forces urgently need to replace their ageing fleet of Sea King and Labrador helicopters. In addition, the EH-101

order will bring substantial benefits to the Canadian economy, including an estimated 13,000 jobs and sizeable export orders. Contracts worth C\$225m have already been placed with 14 domestic companies.

Mr John Major, the UK prime minister, raised the helicopter order with Mr Kim Campbell, Canada's prime minister, at the Group of Seven summit in Tokyo in July. But Ms Campbell announced at the start of the election campaign that she would cut the order from 50 to 43 aircraft.

The UK is expected to renew its expressions of concern once the new government takes office. With a view to domestic political sensitivities, however, the brunt

of post-election lobbying is likely to fall on the shoulders of local contractors and the Canadian defence department.

Senior military officers "will want to make sure that Mr Chrétien doesn't make any precipitous announcement at least until he has had a chance to be briefed by the department", one source said.

They are expected to try to persuade him to include the helicopter deal in a wide-ranging defence policy review.

EH Industries and Paramax have already sent information packages to all candidates standing in the election. They have encouraged sub-contractors to point out to local candidates the costs of cancelling the project.

EC leaders likely to back Belgian banker as EMI's first president

By Andrew Hill and Lionel Barber in Brussels

EUROPEAN Community leaders are likely to back Mr Alexandre Lamfalussy next week as a compromise candidate to head the European Monetary Institute, forerunner of a European central bank.

Mr Lamfalussy was nominated for the post by EC central bank governors yesterday, in a move which increases the likelihood of a deal at next week's Brussels summit on the sensitive question of where to site the European central bank. Frankfurt is the leading contender.

But his selection, if confirmed, may disappoint enthusiasts for European monetary union who

were looking for a political heavyweight to give added impetus to the process of economic and monetary integration.

The EMI will prepare for full European economic and monetary union by 1999, strengthening the co-ordination of EC members' monetary policies and supervising all aspects of the development of a single currency.

Mr Lamfalussy, a Belgian, is currently general manager of the Bank for International Settlements, which is owned by 33 central banks. He would hold the office of EMI president for three years initially, beginning on January 1 1994, when the next stage of EMI is due to start. He would not necessarily become president of a European central bank.

The governors' recommendation was announced in a letter from Mr Wim Duisenberg, head of the Dutch central bank and chairman of the EC central bank governors' committee, to Mr Jean-Luc Dehaene, the Belgian prime minister, who will chair next week's summit. Mr Duisenberg was himself a prime candidate for EMI president, but his insistence on retaining the governorship of the Dutch central bank may have ruled him out.

EC leaders will consider the Lamfalussy nomination along with bids by other member states for the location of the EMI and the central bank, as well as lesser institutions, including the European environment and medicines agencies.

Bae talks

Continued from Page 1

UK company is not prepared to let the year-long negotiations with Taiwan drag on further and is expected to take a decision at a board meeting on October 29.

Taiwan is seeking to scrap its original agreements with BAE and renegotiate the entire deal. BAE is also resisting Taiwanese demands for transfers of leading edge technologies and a commitment to invest in a \$1bn programme to develop a new regional jet aircraft.

By contrast to Taiwan's fledgling aerospace industry, Indonesia has built up an indigenous aerospace sector through international collaboration.

It already manufactures a turboprop military transport aircraft with civil applications with Casa of Spain which has been exported to Saudi Arabia and South Korea.

THE LEX COLUMN

Goodwill towards Smiths

Some engineering companies may bleat about poor markets, but Smiths Industries has quietly focused on getting its costs in line with its prospects. Nor has consistent performance been bought at the price of future development. Smiths' research and development expenditure is at an all-time high. Strong operational gearing means the company is well placed to profit when the aerospace upturn finally arrives, while its lack of financial gearing and growing medical business mean that the wait should not be too painful.

Yet one aspect of accounting does place a potential constraint in the path of the management's development programme. The high-tech medical businesses it has acquired have justified the ratings paid for them, but the £160m goodwill write-offs of recent years have left the company with only £267m of shareholders' funds on the balance sheet.

That is a poor reflection of the underlying strength of Smiths' business. Worse, such accounting conventions serve companies poorly if management feel inhibited about justified expansion or shareholders misinterpret the situation and the company's rating is damaged. Vested interests have thus far resisted change in the conventions. Perhaps the Accounting Standards Board should now recommend that goodwill is retained on company balance sheets and steadily written off through the profit and loss account. That would also form a useful discipline against overpaying for acquisitions. Investors have had to put up with goodwill write-offs and share issues hiding the sins of poor companies. How much more serious if the rules start to damage the prospects of good companies too.

Aegis

The history of Aegis is that sadly familiar tale of a one-time media glamour stock which made some people associated with it seriously wealthy without doing much to enrich outside shareholders. Following its proposed refinancing, existing shareholders will see their current 57 per cent interest in the company diluted to 13 per cent. Preference shareholders, too, are similarly disadvantaged. The directors chiefly responsible for creating the tottering edifice by use of highly-rated paper and deferred considerations have, of course, already departed with substantial pay-offs.

There is no question that Aegis was

FT-SE Index: 3156.3 (+26.7)

Smiths Industries

Share price relative to the FT-SE All-Share Index



Source: FT Graphite

badly hit by French legislative changes which have shredded the margins of Carat. This made it impossible for Aegis to generate sufficient earnings to sustain its precarious capital structure. With £180m of convertible shares and bank debt to service annually, and some £55m of deferred payments to complete over the next few years, the company desperately needed some form of refinancing. But Aegis's attempts to make a virtue out of the fact that its shareholders will receive better terms than those offered by WPP and Seatchi & Seatchi at the time of their restructurings is hardly comforting. It is rather like arguing it is better to be crushed by a small avalanche than a big one.

Still, not everyone will do so badly out of the deal. Carat's vendors will receive the bulk of the deferred consideration owed to them. But it is Omnicom which could emerge as the ultimate beneficiary. Having helped to underwrite the open offer, it will be perfectly positioned to acquire the rest of Aegis in a few years time - just as the European advertising market returns to health.

Gartmore

Banque Indosuez could hardly have chosen a more auspicious moment to offer 25 per cent of Gartmore. The heavy level of world stock markets is inflating the value of funds under management across the industry. For a pension fund manager like Gartmore, that feeds through directly into higher fees. Due to its enviable investment record, Gartmore is also winning new business hand over fist. An especially good investment performance

last year will keep the three-year investment record in good shape, even if it now suffers a run of bad luck.

Since Gartmore is only the fourth largest pension fund manager in the UK - and less than one third the size of MAM measured by funds under management - there is room for further growth without the costs associated with a big push in unit trusts or an overseas acquisition. The Goode committee's proposals on pension law reform were not onerous enough to cause a stampede away from defined benefit pension schemes, so demand for fund managers' services looks secure. If Gartmore can keep its costs under control and maintain a decent investment record, its earnings outlook is rosy.

The worry is that gearing to the level of equity markets cuts both ways. If share prices started to trickle back, it would require a prodigious new business effort to maintain funds under management and fee income. A stock market shake-out would send the sector reeling. Not even a fund manager which called the top for its clients would be immune from that.

Lloyd's insurance

It would be a relief if brinkmanship over the future of Lloyd's came to an end with yesterday's vote in favour of the introduction of corporate capital. The threat of litigation from disaffected Names still has to be resolved. But that is not a mortal threat if a steady supply of corporate capital can now be secured.

Still, agents acting for the proposed Lloyd's investment trusts might find themselves diverted from the task of analysing and negotiating with underwriting syndicates. Another round of legal action against market professionals would do little for Lloyd's attempt to rebuild its image among international investors. Both sides have an interest in reaching a settlement.

Yet it is difficult to see where cash to meet claims for restitution might come from. Providers of corporate capital are unwilling to foot the bill. The proposal that Lloyd's should raise a loan to fund a settlement is unlikely to win support, since interest payments would dilute underwriting returns in future years. Reserves within Lloyd's itself are insufficient to satisfy Names. With corporate capital in the bag, though, Lloyd's management has the stronger hand.

All of these securities having been sold, this advertisement appears as a matter of record only.

 10,000,000 Shares
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PolyGram N.V.

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5,000,000 Shares

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 Incorporated

September 1993

FT WORLD WEATHER
Europe today

A depression near south-west Norway will affect north-west Europe. A frontal system associated with the depression will cross the British Isles with cloud and rain. In the wake of the front, cold and unstable air will spread over the UK bringing showers which will be mixed with sleet and hail over the Highlands later. Over parts of central Europe, high pressure will still produce tranquil though cool conditions with abundant sunshine. However, a frontal zone over the Alps extending to the Black Sea will cause mainly overcast skies with some showers, especially in the Alps. Southern Europe will be mostly sunny and warm, but Spain and the Balearic Isles will have scattered clouds.

Five-day forecast

High pressure will build again over northern UK and will extend its influence toward the Baltic States. As a result, parts of north and north-west Europe will have a lot of sunshine. Along the north side of the high, milder and more moist air will arrive in Scandinavia, resulting in significantly higher temperatures. Southern Europe, especially Italy and southern France, will have a lot of rain as a result of lingering low pressure areas.

Winds from: HIGH, LOW, Wind speed in KPH

Situation at 12 GMT. Temperature maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Abu Dhabi	30	Cardiff	10	Frankfurt	10	Malta	26	Rio	26
Algiers	24	Chengdu	17	Geneva	17	Manchester	10	Riyadh	34
Amsterdam	18	Cologne	17	Glasgow	17	Madrid	19	Rome	24
Athens	24	Dakar	30	Hamburg	17	Mexico City	19	S. Francisco	22
B. Aires	20	Dubai	31	Helsinki	17	Miami	27	Seoul	21
Bangkok	32	Dubai	31	Hong Kong	27	Montreal	17	Singapore	31
Barcelona	21	Dublin	10	Isle of Man	17	Moscow	11	Stockholm	17
Beijing	19	Edinburgh	10	Jakarta	24	Murkhumb	12	Sydney	24
		Faro	24	Karachi	24	Nairobi	23	Taipei	24
				Kuwait	37	Nagasaki	19	Tokyo	19
				Las Palmas	21	Nassau	21	Toronto	10
				Lima	21	New York	17	Tunis	27
				Lisbon	17	Nice	17	Vancouver	14
				London	17	Niagara	17	Venice	18
				Lucerne	17	Osaka	17	Vienna	18
				Lyon	17	Paris	17	Warsaw	18
				Madrid	17	Perth	17	Washington	19
				Manila	22	Prague	17	Wellington	19
				Majorca	22	Rangoon	17	Winnipeg	19
						Reykjavik	17	Zurich	12

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INTERNATIONAL COMPANIES AND FINANCE

Restructuring costs cut Thomson-CSF profits

By John Riddling in Paris

THOMSON-CSF, the French state-controlled defence electronics group, yesterday announced a halving in net profits for the first six months of the year. It warned that full-year profits would be below those achieved in 1992.

The company blamed the decline in net profits, which fell to FF455m (\$79.8m) from FF946m in the first half of 1992, on its stake in loss-making Credit Lyonnais, and on restructuring costs.

Its 22 per cent holding in the French bank represented a negative contribution of FF225m, while restructuring

charges amounted to FF110m. Operating profits, however, remained fairly steady at FF918m, compared with FF935m last year.

Sales fell by 5.6 per cent in the first half of the year, to FF13.94bn. The company said turnover for the full year was expected to decline by about 5 per cent. Operating income is forecast to remain stable for the year at about FF2.07bn.

The fall in net income for 1993 will depend on the contribution from its financial affiliates, and upon the amount of restructuring charges, the group said.

The decline in sales in the first half was the result of the

ending of the billing period for two large overseas contracts with the US and Saudi Arabia. International sales fell by 11 per cent, while domestic turnover showed a 3 per cent rise.

Thomson-CSF is on the list of 31 publicly-owned groups which the French government wants to privatise.

Industry analysts in Paris, however, say the sale of the state's stake in the group was complicated by the structure of Thomson. In particular, most analysts believe it would be difficult to sell Thomson-CSF, the loss-making consumer electronics group which, along with Thomson-CSF, comprises the group.

Matra-Hachette doubles net

By John Riddling

MATRA-HACHETTE, the French defence electronics, automotive and media group, yesterday announced a doubling in first-half net profits to FF302m (\$53.4m) from FF152m (\$26.3m) in the first half of 1992.

Matra-Hachette, which was formed last year by the merger of the two businesses, said that sales in the first half slipped by 3 per cent to FF26.3bn.

The rise in first-half profits partly reflected a reduction in financial charges, to FF245m from FF303m resulting from a reduction in debt.

Operating profits remained stable at FF1.32bn, with the group's space, defence, audio-visual and transport businesses offsetting declines in other activities.

The increase in profits was also achieved despite a rise in exceptional charges, to FF418m in the first six months of this year from FF251m in the first half of 1992.

This year's charges include restructuring costs relating to the merger which formed the group.

Volvo seeks remaining BCP shares

By Christopher Brown-Humes in Stockholm

VOLVO, the Swedish industrial group, yesterday launched a public offer for the outstanding shares in Branded Consumer Products (BCP), the company being formed from the non-drug operations of Procordia.

The move was expected following the company's June agreement with the Swedish government, which will split Procordia into its pharmaceutical and consumer product businesses.

It is not linked with the planned merger of the group's car and truck operations with France's Renault.

The offer values BCP at SKr11.9bn (\$1.5bn), or SKr47 a share, excluding SKr2.5bn of debt. It is essentially a mop-up operation, as Volvo will hold 85.5 per cent of BCP's votes and 73.7 per cent of its capital once Procordia is formally split next month.

Volvo's offer consists of three alternatives:

- One new Volvo share for every six BCP shares. Based on the SKr412 price at which Volvo's shares closed yesterday, this value each BCP share at SKr68.7.
- SKr47 in cash for each BCP share.
- Seven shares in the new Procordia, to be renamed Pharmacia, for every 20 BCP shares.

Behind the offer is Volvo's desire to balance its cyclical motor vehicle operations with a more stable consumer goods business. BCP comprises Swedish Match, Procordia Food, Procordia Beverages and Procordia Invest.

Disappointment among some analysts, who felt the terms were dilutive for the company's existing shareholders, prompted a SKr17 fall in Volvo's share price yesterday, to SKr412.

Shares in BCP will be distributed to Procordia's current shareholders in the form of a dividend in mid-November, allowing Volvo to proceed with its offer between November 18 and December 10.

Ferruzzi creditors begin a delicate game

Foreign banks are looking to avoid bankruptcy proceedings, writes Robert Graham

FOREIGN bank creditors of the collapsed Ferruzzi-Montedison empire have begun a delicate game to recover what they can of the L4,128bn (\$2.6bn) considered to be at risk.

Talking tough, they declared last Thursday the restructuring plan for Italy's second largest private group as "unacceptable". This is in direct contrast to the Italian banks, which with L14,088bn at risk, have given a majority endorsement. The foreign banks last week formed a working group composed of Barclays, Citibank, Credit Suisse, Deutsche Bank and UBS with the aim of preparing counter-proposals.

The first task, they say, will be to assess the state of the companies, on which they have had no consistent information since the debacle of Ferruzzi's restructuring. They point to the healthy half-year net operating profit of Montedison, the main industrial group, up from L389bn to L748bn.

Whatever the outcome, creditors could lose more than L4,000bn in all, according to informal estimates circulating among bankers.

Matters have not been helped by the foreign banks' claims that they were excluded from preparation of the Mediobanca plan. They are also wary after the mishandling of for-

eign creditors in the 1981 collapse of Federconsorzi, the agricultural services group, and the 1992 liquidation of Efim.

The Mediobanca plan is centred on four elements: a debt moratorium for 1993 costing creditors L1,800bn; a consolidation of Ferruzzi-Montedison debt over 10-12 years costing creditors a further L1,600bn; assets sales worth L6,500bn; and capital increases totalling L5,400bn through debt conversion and fresh subscriptions underwritten 80 per cent by the creditors. There will also be a L800bn fund to assist small creditors.

The 21 Italian banks, accounting for 71 per cent of the credits at risk, have backed this plan and agreed to waive interest for 1993. Of credits totalling L35,000bn on May 31, L18,899bn is bank debt subject to the moratorium and to consolidation. The Italian banks are more vulnerable, not only in the size of their lendings but in the quality.

They have L4,338bn extended to Ferruzzi Finanziaria (Perfin), the quoted financial holding controlled by the Ferruzzi family until the June collapse. A further L5,820bn of credits are outstanding with Montedison.

son, Ferfin's quoted industrial group. Ferfin's assets are essentially its 38 per cent stake in Montedison, a 51 per cent shareholding in Fondiaria, the insurance company, and shares in diversified interests.

The foreign banks, on the other hand, have their main exposure, of L3,381bn, to the operating companies, Montedison and its associates. Only L747bn is extended to Ferfin, the financial holding. They also have L1,537bn of credits unaffected by the moratorium or debt consolidation - L1,070bn to the soundly-operating Eridania Beghin Say foodstuffs business, and L467bn to Edison, the power generation company.

The distinct nature of the foreign and Italian banks' exposures, coupled with the domestic banks' greater interest in preservation of the Ferruzzi-Montedison's identity, has created different priorities and approaches.

The foreign banks claim the interests of the creditors are being put before those of the Ferfin and Montedison shareholders. Ferfin's equity in Montedison must be first "extinguished or reduced consistent with creditors' rights", they told Mediobanca. The cancellation of interest in 1993 to protect shareholders equity,

they claimed, "violates creditors' rights, is inconsistent with accepted international restructuring principles, and is completely unfeasible".

Another point disputed by the banks is the extent of asset sales. Rather than protect the nature of Ferruzzi-Montedison, they believe credit recovery can be maximised through a larger sale of the good assets controlled by Ferfin.

For instance, the plan envisages the Ferfin stake in Montedison to be cut to 30 per cent and its stake in Fondiaria, to 34 per cent.

The backing of the big Italian banks for the plan enabled Ferfin's and Montedison's half-yearly accounts to be passed by their boards. Approval had been delayed from September 30 to permit the administrator to include at least the biggest Italian creditors' decision to forego interest in 1993.

The next formal step will be the special meetings of Ferfin and Montedison convened for November 31 and December 10 to approve the first stage of their respective capital increases. If the foreign banks continue to oppose the plan, the meetings will have to be postponed, perhaps leading to bankruptcy proceedings.

Accor earnings fall to FF109m in first half

NET profits at Accor, the French hotel and tourism group, fell to FF109m (\$18.8m) in the first half from FF137m last year as the fiercely competitive condition of the European hotel business took its toll, writes Alice Rawsthorn in Paris.

The group, still burdened by heavy debts following the acquisition in 1991 of Wagons-Lits, the Belgian travel group, also warned of a fall in net profits for the full financial year.

It said that although the seasonal nature of its business meant the second half would be better than the first, it expected net profits to settle at between FF550m and FF600m for the full year.

INTERNATIONAL COMPANY NEWS IN BRIEF

THE CITY state of Bremen confirmed yesterday that a consortium of local companies had signed a provisional agreement with Klockner-Werke, the diversified steel group, about the possible purchase of its ailing steel plant in the region, writes Ariane Genillard in Bonn.

The offer will be reviewed by Klockner-Werke's board of directors, which is due to meet on November 11. A Klockner spokesman said it had "a good chance" of being accepted.

According to the provisional agreement, the consortium is expected to buy 75 per cent of the plant for a symbolic price. Klockner-Werke would keep the remaining shares.

Hoechst, a leading German chemicals group, said drug sales have started to improve, following a 2.6 per cent decline

to DM4.5bn (\$3.4bn) in the first half, writes Christopher Parkes in Frankfurt.

Turnover from the pharmaceutical divisions had increased 0.8 per cent after eight months and full-year sales were expected to improve 3 per cent, according to group executives.

Shares in Aegis, the London-based holding company of Europe's largest media-buying and planning group, plunged 11p to 214p yesterday as the group put forward a plan to raise new equity finance and restructure its capital, writes Diane Summers in London.

Omnicom, the US-based advertising giant, will, for the first time, become a significant shareholder in the group, prompting speculation that it could eventually combine its advertising activities

with Aegis' media-buying.

Aegis intends to raise \$61.2m (\$62.4m) of new equity finance through an open offer of 246,200 of new ordinary shares. Lex, Page 24; Details, Page 23

SAURA Republic, the Geneva-based private banking group, reported consolidated net income of \$80.1m, or \$1.70 per share, in the third quarter, up 30 per cent, writes Ian Rodger in Zurich.

Net interest income rose 10.6 per cent in the third quarter to \$56.2m, thanks to widening spreads while foreign exchange and trading income jumped 51 per cent to \$8.3m. Net commission income more than doubled to \$16.4m.

Celast Industries, the newly-privatised Swedish defence group, has upgraded its 1993 profits forecast, after posting better-than-expected figures for

the first eight months, writes Christopher Brown-Humes.

The company expects a SKr625m profit this year, compared with an earlier prediction that profits would at least match 1992's SKr545m (\$99m) surplus. The group raised profits after financial items by 23 per cent in the first eight months to SKr425m from SKr345m even though sales eased to SKr7.2bn from SKr7.7bn.

Huhtamaki, the Finnish consumer products group, plans to raise more than FM300m (\$53m) through an international issue of up to 1.8m I shares, writes Christopher Brown-Humes.

The proceeds will help the group fund the purchase of CarnaudMetal-Bor's high performance plastics division.

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REINZ

Reinz Dichtungs GmbH, Neu-Ulm, and Hugo Reinz GmbH, Berlin, have been sold to a wholly-owned subsidiary of

Dana Corporation

Barclays de Zoete Wedd initiated this transaction and acted as financial adviser to the shareholders of the ReinZ companies.

August 1993



Daimler UK Oil and Gas has acquired 16 North sea oil and gas blocks for a consideration of approximately £100 million from

Lussum plc

Barclays de Zoete Wedd acted as financial adviser to Daimler.

February 1993

Treuhanderanstalt

A subsidiary of the Treuhanderanstalt has sold the heavy crane manufacturing business of the former Takraf combine to private sector purchasers in three separate transactions.

Barclays de Zoete Wedd acted as financial adviser to the Treuhanderanstalt in these transactions.

July 1993



A subsidiary of Schmalbach Lubeca AG has acquired Polystereles Espanoles SA (Polister), Beten SA and Polister France SRL from

Compañia Española de Petroleos SA

Barclays de Zoete Wedd initiated this transaction and acted as financial adviser to Schmalbach Lubeca AG.

December 1992

A.W. Boulderstone Holdings Pty Limited

A.W. Boulderstone Holdings Pty Limited, Australia, has been acquired for A\$65 million by

Bilfinger + Berger AG

Barclays de Zoete Wedd acted as financial adviser to A.W. Boulderstone Holdings throughout this transaction.

May 1993

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The Republic of Venezuela U.S. \$968,562,000

Collateralized Floating Rate Bonds due 2020 USD Discount Series A

In accordance with the provisions of the Bonds, notice is hereby given that for the interest period from October 21, 1993 to April 21, 1994 the Bonds will carry an interest rate of 4.1675% per annum. The interest payable on the relevant interest payment date, April 21, 1994 will be U.S. \$21.77 per U.S. \$1,000 principal amount.

By: The Chase Manhattan Bank, N.A. Agent Bank

October 21, 1993



The Republic of Venezuela U.S. \$298,698,000

Floating Rate Bonds due 2008 USD Debt Conversion Series II

In accordance with the provisions of the Bonds, notice is hereby given that for the interest period from October 21, 1993 to April 21, 1994 the Bonds will carry an interest rate of 4.25% per annum. The interest payable on the relevant interest payment date, April 21, 1994 will be U.S. \$21.49 per U.S. \$1,000 principal amount.

By: The Chase Manhattan Bank, N.A. Agent Bank

October 21, 1993



Notice of Redemption to the Holders of THE LONG-TERM CREDIT BANK OF JAPAN FINANCE N.V.

US\$50,000,000 Guaranteed Floating/Fixed Rate Notes due December 2001 (the "Notes")

Notice is hereby given that, pursuant to Condition 5(b) of the Terms and Conditions of the Notes, The Long-Term Credit Bank of Japan Finance N.V. has elected to redeem on 30th December, 1993 (the "Redemption Date") all of the Notes at their principal amount. Interest on the Notes will cease to accrue on and after the Redemption Date.

The Notes will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the Redemption Date, at the offices of:

LTCB Trust Company, New York (for payment of principal only) Kredietbank S.A. Luxembourg/Luxemburg, Luxembourg Kredietbank N.V., Brussels The Long-Term Credit Bank of Japan, Limited, London

The coupons due on 30th December, 1993, should be presented for payment in the usual manner.

FISCAL AGENT LTCB Trust Company, New York

21st October, 1993

The Financial Times plans to publish a Survey on Turkish Finance Investment and Industry

on Thursday, November 25.

For a copy of the editorial synopsis and advertisement rates contact:

GIRO COSTANTE in Istanbul Tel: (212) 279 2548/279 5350 Fax: (212) 284 2761 or CONNIE DAVIS in London Tel: (071) 873 3524 Fax: (071) 873 3428

FT Surveys

NOTICE

to the holders of the outstanding U.S. \$38,980,000 Extendible Floating Rate Notes (the "Extendible Notes") (being those of the former U.S. \$250,000,000 Ten Year Extendible Floating Rate Notes in respect of which the option to extend the maturity was exercised in February 1993)



State Bank of New South Wales Limited

(formerly State Bank of New South Wales) A.C.N. 003 893 228 On 16th August, 1993 (the "Redemption and Release Date") State Bank of New South Wales Limited (the "Bank"), pursuant to Condition 5(b) of the U.S. \$153,120,000 Extendible Floating Rate Notes (the "Release Notes") issued by the Bank's predecessor State Bank of New South Wales (being those of the former U.S. \$250,000,000 Ten Year Extendible Floating Rate Notes of the Bank in respect of which the option to extend the maturity was not exercised in February 1993), redeemed all the Release Notes at their principal amount and released the Release Notes with their maturity extended to the interest payment date as defined in the Conditions falling in February 2003. Following the release, the Release Notes and the Release Notes (together the "Notes") have the same maturity date and have been reconstituted to form a single series known as:

State Bank of New South Wales Limited A.C.N. 003 893 228 U.S. \$250,000,000 Extendible Floating Rate Notes. The Release Notes and the Release Notes continue to be listed on the London Stock Exchange under the designation:

State Bank of New South Wales Limited U.S. \$250,000,000 Extendible Floating Rate Notes

The ISIN for the Release Notes and the Release Notes is GB0008425440

Issued by State Bank of New South Wales Limited 21st October, 1993

State Bank

U.S. \$100,000,000

B.B.L. International N.V.

Floating Rate Notes Due 1999

Guaranteed on a Subordinated Basis as to payment of principal and interest by



Banque Bruxelles Lambert S.A./ Bank Brussel Lambert N.V.

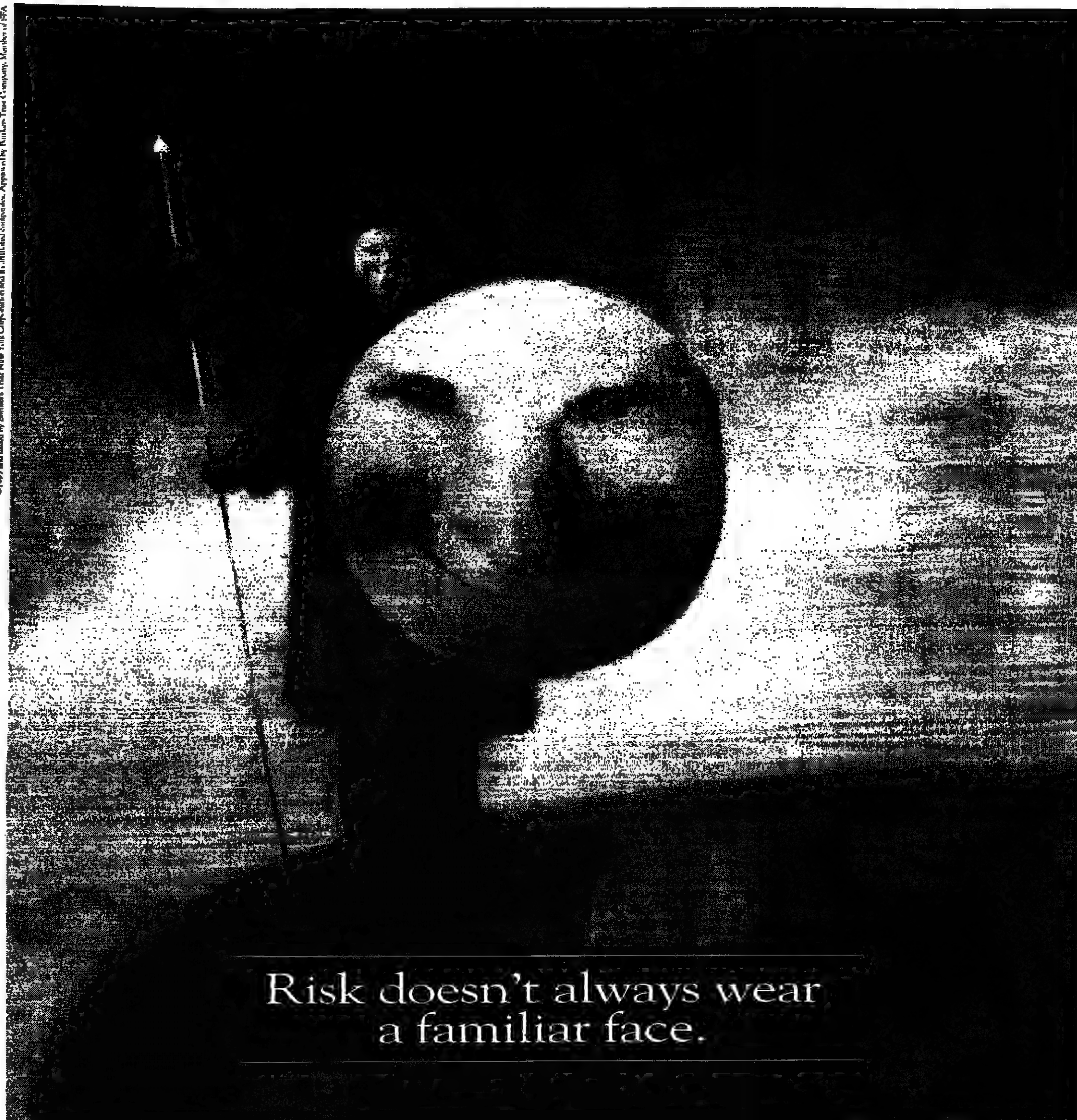
Interest Rate 5% per annum Interest Period 21st October 1993 - 21st April 1994 Interest Amount per U.S. \$5,000 Note due 21st April 1994 U.S. \$126.38

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INTERNATIONAL COMPANIES AND FINANCE

Digital slides back into the red

By Alan Cane

DIGITAL Equipment, the troubled US computer manufacturer, slipped back into the red in the first quarter of 1994 but cut its losses compared with the same period last year.

The results were poorer than analysts had anticipated and the shares fell 5% to \$35 1/2 in early trading in New York.

Digital suffered a net loss of \$83.18m, or 62 cents a share, for the quarter ended October 2, against \$260.55m, or \$2.04, a year ago. The loss included a

one-time benefit of \$20m, or 14 cents, relating to a change in accounting principles for taxes.

The loss before tax was reduced to \$99.7m, compared with \$250.5m last year, which Mr Robert Palmer, chief executive, attributed to a focus on cost controls. Research and engineering spending has been cut by \$90m or 22 per cent and selling, general and administrative costs fell by \$259m or 23 per cent, compared with the same quarter a year ago.

Operating revenues were \$3.01bn, 9 per cent below the

\$3.3bn recorded last year.

Mr Palmer said: "We were disappointed by the revenue declines from last year." He attributed much of the fall to weak markets in Europe, especially Germany and Italy. There was a slight decline in the US, but growth in Asia was not enough to compensate for the falls in other areas.

Digital's latest loss comes immediately after its first quarterly profit in two years and follows a campaign to convince customers the company is committed to becoming a

leader in "client-server" systems. These are networks of small computers, which are rapidly replacing the minicomputers that have been Digital's main products.

Revenues and profit margins are suffering with the move to cheaper products. Mr William Steul, chief financial officer, said Digital achieved double-digit growth in both dollars and units in personal computers and workstations, but product gross margins declined five points from last year.

Burger King reviews US advertising account

By Frank McCorty in New York

BURGER King, the fast-food restaurant chain, is reviewing its main US advertising account, handled by the New York office of D'Arcy Masius Benton & Bowles since 1988.

The business, which according to industry estimates has a budget of \$170m a year, is one of the world's most lucrative advertising accounts.

Burger King, a subsidiary of Grand Metropolitan, said it was "seeking a fresh approach" to a "back-to-basics" marketing strategy, initiated by Mr James Adamson when he was appointed chief executive last July.

"It is simply the right time to review creative options and steer our advertising in the direction that further builds on our brand equities," said Mr Sidney Feltenstein, executive vice-president for worldwide marketing.

DMB&B's first television campaign for the group since Mr Adamson's appointment was launched this month. It highlights prices and puts less emphasis on quality.

The fresh approach by Burger King, which operates about 7,000 restaurants worldwide, comes as packaged goods marketers are increasingly concerned over the willingness of US consumers to buy lower-cost alternatives to brand-name products.

Burger King said it would continue to stress value for money in its advertising. "This is a simple, fun business," a spokeswoman said. "There's no reason to make our message too complicated."

Burger King's advertising budget is \$250m a year, which includes international billings, special projects and advertising directed at consumers from US minority groups.

The company declined to comment on the specific size of the account under review except to say it involved "a good portion" of the total.

DMB&B would continue to handle the international portion of the business and would be invited to participate in the review, the company said.

USAir loss near forecast at \$177.6m

By Richard Tomkins in New York

USAIR, the US airline in which British Airways has a 24.6 per cent stake, yesterday produced the latest in a series of dismal results by reporting a third-quarter loss of \$177.6m. It was roughly in line with the \$180m loss it had predicted at the end of last month.

Part of the loss reflected an exceptional charge of \$67.3m for costs involved in cutting 2,500 jobs from its workforce, and the comparable figure for last year's third quarter - a loss of \$105.5m - included an exceptional gain of \$10.3m on the sale of its general aviation activities.

Mr Seth Schofield, president and chief executive, acknowledged the figures were poor. "While revenues and yields have improved from last year, our results are disappointing, especially in the light of more positive results reported for the first two quarters of this year," he said.

USAir, burdened with some of the highest wage costs in the industry, is facing tough competition from low-cost carriers, such as Southwest Airlines, which last month launched an assault on USAir's Baltimore hub in the north-east. It has failed to report an annual profit since 1985.

The company hopes to cut its costs by \$200m next year.

Tenneco earnings more than doubled at \$116m

By Laurie Morse in Chicago

TENNECO, the diversified US industrial company, more than doubled third-quarter operating earnings, helped by a sharp turnaround at its farm and construction equipment division and improvements in its natural gas pipeline operations.

Income from continuing operations advanced to \$116m, or 64 cents a share, compared with \$46m, or 28 cents, in the third quarter of 1992.

Revenues were little changed from last year, at \$3.2bn. Tenneco's heavy equipment manufacturing division, Case Corporation, reversed last year's third-quarter loss of \$68m to report a \$10m profit in this year's quarter. Sales fell to

\$841m, from \$848m in 1992.

Case, which has undergone substantial restructuring in the past two years, will increase output in the current three months for the first time in seven quarters.

A 30 per cent production increase will put Case's production for all of 1993 at the same level as 1992.

Mr Mike Walsh, Tenneco's chairman, said that new pricing strategies, aggressive inventory management and quality control would continue Case's operating improvement into 1994.

Tenneco Gas earned \$94m in the quarter, up from \$53m last year, while operating income at Tenneco's chemicals division, Albright & Wilson, rose to \$20m, from \$15m.

The natural gas division's

results were aided by a favourable rate decision that added \$34m to operating income in the third quarter.

However, the automotive parts and packaging divisions showed only marginal income improvements, while revenues and operating income declined at the Newport News shipbuilding division.

For the nine months, Tenneco's operating income rose to \$352m, from \$380m last time.

Income from continuing operations rose to \$301m, or \$1.75 a share, last year.

The company said that efficiency improvements had added about \$17m to operating income since January, compared with \$21m for all of 1992.

Bristol-Myers blames currency movements for static quarter

By Karen Zagor in New York

BRISTOL-MYERS Squibb, one of the world's biggest drugs companies, yesterday reported a 3 per cent rise in third quarter net income on sales which slid 3 per cent.

For the three months to September 30, Bristol-Myers had net income of \$608m or \$1.18 a share on sales of \$2.85bn.

A year earlier, it earned \$589.2m, or \$1.14 on sales of \$2.85bn, including earnings from discontinued operations of \$17.4m.

Like its competitors, Bristol Myers has been hit by pressure to reduce drug prices. The company blamed unfavourable

exchange rate fluctuations and government costs containment measures for its sales shortfall in the quarter.

Mr Richard Gelb, chairman and chief executive, also blamed the decline on a comparison with a very strong third quarter for pharmaceutical sales last year.

In the latest quarter, Bristol Myers' pharmaceutical sales fell 4 per cent in spite of higher sales for several new products including its cholesterol-lowering drug Pravachol, its Vider AIDS medication and the Taxol cancer-fighting drug. Sales of Capoten, a cardiovascular drug, continued to erode.

Sales of medical devices were flat, while consumer product sales dropped 3 per cent, reflecting strong competition in the US analgesics and hair care markets.

For the nine months, net earnings were \$1.7bn, or \$3.28, on sales of \$8.42bn. In the same period of 1992, the company earned \$1.38bn, or \$2.67 including earnings from its Drachtel household products business which was sold in December for accounting changes.

Earnings from continuing operations rose 8 per cent to \$1.7bn from \$1.58bn. Sales edged up to \$8.42bn from \$8.33bn.

BankAmerica flat in third term

By Richard Waters in New York

UNDERLYING earnings at BankAmerica remained flat in the third quarter as the US's second biggest banking group continued to struggle against a weak economy in its home state, California.

After paying out \$26m in what it termed a "special recognition award" to employees following the merger with Security Pacific, net income in the three months was \$48m, or \$1.19 a share.

This compared with after-tax earnings of \$48m in the previous three months and \$476m, or \$1.22 per share, in the second quarter of this year.

Non-interest income, at \$1bn, was down by \$49m from the previous quarter due to lower profits from asset sales and a decline in foreign exchange trading income, from \$108m to \$76m.

Provisions for credit losses during the period fell to \$175m, from \$200m in the previous three months.

In common with other US banks, BankAmerica reported a further rise in the ratio of loan-loss reserves to non-performing loans, which now stands at 122 per cent, up from 110 per cent.

The bank's tier one capital ratio climbed to 7.2 per cent from 6.9 per cent at the end of June.

Credit services help lift Dean Witter 52%

By Patrick Harverson in New York

DEAN Witter Discover reported a 52 per cent increase in third-quarter profits to \$171.6m yesterday following record contributions from its credit services and Wall Street securities businesses.

The strong third quarter took profits for the first nine months of 1993 to \$465.1m, already more than the \$410.5m earned in all of last year.

Mr Philip Purcell, chief executive, said the group continued to benefit from a positive business environment, especially "low interest rates and the flow of assets into mutual funds".

The securities business reported record earnings of \$92.4m, up 25 per cent on a year earlier.

Brokerage commission revenues climbed 35 per cent to \$226.3m, asset management and administration fees rose 27 per cent to \$217.1m, and investment banking revenues grew 34 per cent to \$80.2m.

Principal trading revenues, however, fell 5 per cent to \$97.6m, due to reduced activity in the fixed income markets. Operating expenses in the securities business rose 20 per cent to \$573.7m.

Dean Witter's credit services division, which includes its highly successful Discover credit card business, produced earnings of \$101.5m, against \$68.6m a year ago.

Revenues rose 23 per cent to \$483.9m, while operating expenses increased by only 16 per cent.

Fee income from Discover cardholders and merchants climbed 26 per cent to \$226.4m as transaction volume and a larger merchant base rose noticeably.

Income from the division's \$18.7bn of managed loans grew 21 per cent due to favourable interest rates, high loan portfolio balances and an improving credit environment.

Dean Witter's stock rose 3% to \$40 1/2 on the New York Stock Exchange in early trading yesterday.

Canadian goldminer ahead 18%

AMERICAN Barrick, one of North America's top four gold producers, posted an 18 per cent increase in third-quarter profit, with sharply higher output from the Goldstrike mine in Nevada, writes Robert Gibbons in Montreal.

With initial development of Goldstrike completed and cash resources mounting, Toronto-based American Barrick is focusing its search for new reserves on South America and Asia.

It may also develop two projects in Peru.

Net profit for the quarter was US\$66.3m, or 21 cents a share, up from \$49.5m, or 18 cents, on revenue of \$178m, against \$143.5m.

Output was 413,429oz, compared with 343,474oz. The average price realised was \$410, against \$430, and cash cost per oz was \$202, against \$224.

Profit for the nine months was \$161.5m, or 57 cents, up from \$109.4m, or 39 cents, on revenues of \$497m, against \$340m.

Lower oil prices restrict Texaco to \$317m

By Richard Waters

WEAKER oil prices and special items restricted third-quarter net income on continuing operations at Texaco to \$317m, or \$1.13 a share, compared with \$326m, or \$1.28 a share, a year before.

Including the loss on the sale of the company's chemical business, net income fell to \$142m.

Before all one-off items, after-tax earnings were \$255m, down from \$338m the previous year. Mr Alfred DeCrane, chairman and chief executive, said this reflected a "solid performance" in the face of a \$4 per barrel decline in crude oil prices.

Operating earnings from US exploration and production fell from \$193m to \$138m while upstream activities overseas

generated \$15m, down from \$98m (both before special items), largely as a result of lower oil prices.

Operating income from downstream businesses, on the other hand, rose to \$95m from \$68m in the US and remained flat at \$107m overseas.

Texaco also reported special charges of \$235m, stemming from staff reductions, reserves to meet environmental

clean-up costs and asset write-downs.

These were offset by a \$152m credit due to a change in tax law affecting deferred taxes and a \$145m deferred tax credit related to the sale of an interest in a subsidiary.

A loss on the sale of Texaco's chemical operations led to a \$164m charge, along with a \$11m loss for the quarter on the chemical business.

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October 1993

Slow sneaker sales cut Reebok returns

REEBOK International, the athletic footwear group, suffered a 14 per cent drop in third-quarter profits, citing losses from the sale of two divisions and a slowdown in the sneaker market. AP-DJ reports.

The US group earned \$69.9m, or 74 cents a share, for the three-month period, compared with \$74.3m, or 80 cents, in the same period last year.

This year's figure included after-tax losses of \$7m stemming from the recently completed sales of its Boston Whaler and Elisse subsidiaries.

Revenue for the quarter dropped to \$808.5m from \$863.2m in last year.

Last year's sales figures included revenue from Boston Whaler and Elisse. But even excluding those numbers, sales would have fallen by 3.6 per cent this year.

The decline was brought on largely by a drop in the Reebok footwear business.

In the US market, the company said quarterly sales of Reebok footwear fell by around 20 per cent, reflecting the sluggish economy and a change in footwear styles away from sneakers as casual shoes.

For the first nine months of 1993, Reebok reported profits of \$172.7m, or \$1.94, down from \$182.4m, or \$1.96 a year earlier. Nine-month sales were \$2.23bn, compared with \$2.36bn.

WEST RAND CONSOLIDATED MINES LIMITED

(Company Registration No. 01/11/97/000)

(Incorporated in the Republic of South Africa)

Cautionary announcement

Shareholders of West Rand Consolidated Mines Limited are advised that negotiations are currently in progress which could affect the share price. Shareholders will be kept informed of any developments.

Until a further announcement is made, shareholders are advised to exercise caution in dealing in their shares.

Johannesburg
21 October 1993

£200,000,000
MFC Finance No. 1 PLC
NOTICE OF REDEMPTION
Series 'A' to 'F' Mortgage Backed Floating Rate Notes
Due October 2023
Notice is hereby given, that in accordance with Conditions 6(a) of the £2,400,000 in aggregate value of the Notes on the respective November, 1993 interest payment dates.
By Citibank, N.A. (Issuer Servicer)
October 21, 1993, London
CITIBANK

Nikki Tait examines the Australian group's flurry of activity that has pleased analysts

The domestic gas industry is not the extent of Boral's ambitions there. The aim, says Mr. Kean, is to create a group with income derived equally from Australian building materials, Australian energy, and building materials interests overseas. The latter, in turn, would split evenly between North America, Europe and Asia.

Boral has a way to go in meeting this objective. Sagasco means that energy will account for about one-fifth of earnings, and future energy-related purchases should lift this further.

But there is a recognised need to expand on the overseas building materials front too—especially in Asia and Europe.

by the Asian market, Europe and North America will be by acquisition," says Kean, mentioning that the group is looking at an possible deal in the Czech Republic. In Asia, operations are more likely to be grown by "greenfield" investment. Current plans include a new glass factory in Indonesia, and aluminium window plants in Vietnam and Indonesia.

Achieving the three-fold split will be up to Mr Berg - who arrives at Boral with a Harvard MBA, a background in investment banking and a much-respected record at Macquarie Bank. One analyst estimates that his appointment has already added about A\$300-A\$300m to Boral's market capitalisation. The stock market, at least, seems convinced that activity is set to continue.

The company is planning significant overseas investments, with a target of increasing overseas revenue to A\$1.5bn a year over the next five years.

Telstra has significant ventures in Vietnam, Cambodia, Pakistan and Saudi Arabia. It recently bid unsuccessfully for the UK government's long-distance network, and is considering a joint venture - with partners including Cable & Wireless - to extend the telephone network in the Philippines.

COMPANY NEWS: UK

Race on for new herpes drug

Paul Abrahams considers the battle between Wellcome and SB

YESTERDAY'S barrage of clinical data from SmithKline Beecham and Wellcome was only the first salvo in the struggle to succeed Zovirax, Wellcome's best-selling herpes and shingles treatment.

The drug, the world's eighth top-selling medicine, is expected to generate revenues this year of £745m, achieving a growth rate of 27 per cent.

Its growth, however, is set to slow. Zovirax's German patents expired this year, while those in the UK and US run out in 1996 and 1997.

Those developing Zovirax successors include Wellcome itself, with Valtrex, also known as valaciclovir; SmithKline Beecham with famciclovir; and Bristol-Myers Squibb of the US and the Japanese group Nippon Shoji with Usevir or BV-100.

Zovirax has always been a tempting target but efforts to develop successors have been held back by the toxicity of most anti-viral drugs.

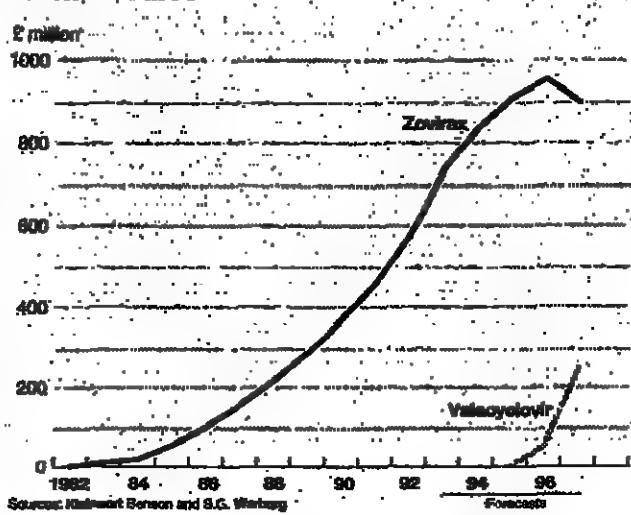
This safety problem was highlighted last week when Nippon Shoji halted Japanese supplies of BV-100 after only a month on the market.

Three patients taking the medicine had died because they were simultaneously receiving fluorouracil, an anti-cancer agent.

The company closest to launching a competitor is SmithKline Beecham. Famciclovir has been submitted to regulatory authorities around the world and should be licensed for the treatment of shingles in the first half of 1994. A submission for genital herpes is likely to be made in the next few months, with a possible launch at the end of next year.

The fiercest battleground

Zovirax sales



between Wellcome and SmithKline Beecham could be the market for post-herpetic neuralgia, the long-term pain which occurs in about 30 per cent of shingles patients.

Although Zovirax is effective in treating the immediate pain associated with shingles, its effectiveness in long-term neuralgia is not fully established. Data presented yesterday by SmithKline Beecham suggested famciclovir was effective in this area.

The marketing battle between the two companies for the immediate treatment of shingles will be technical and hard. Lehman Brothers, the broker, estimates worldwide sales of the Zovirax shingles application could be about \$600m (£300m) a year.

SmithKline Beecham sales representatives will be able to point to clinical trials published last month that compared its drug with Zovirax against shingles. The data showed famciclovir was no more effective than Zovirax,

but only needed to be taken three times a day. One of Zovirax's weaknesses is that it needs to be taken five times a day.

Famciclovir will also have the benefit of SmithKline Beecham's huge salesforce which outnumbers that of Wellcome.

The company may also price aggressively. SmithKline Beecham's recent launch of Paxil, its anti-depressant, was notable by this tactic. However, the group's ability to undercut in the US may be limited because Zovirax's American price is already low.

Wellcome's sales teams will attempt to counter SmithKline Beecham by pointing to Zovirax's safety record. It has been used by more than 30m people over the last 15 years. In the clinical trials, famciclovir appeared to generate a higher incidence of nausea and headache than Zovirax.

Meanwhile, the window of opportunity for SmithKline Beecham may be narrow. Wellcome's sales teams will attempt to counter SmithKline Beecham by pointing to Zovirax's safety record. It has been used by more than 30m people over the last 15 years. In the clinical trials, famciclovir appeared to generate a higher incidence of nausea and headache than Zovirax.

own successor compound. Data about the drug was presented for the first time yesterday and showed it was more effective than Zovirax for long-term pain associated with shingles. Another trial for genital herpes showed Valtrex twice a day was as effective as Zovirax five times a day.

Wellcome expects to submit Valtrex for approval to treat shingles during the first half of next year. Since the compound is so similar in structure to Zovirax, the drug should have few safety problems and could be licensed quickly.

Lehman Brothers believes Valtrex could be launched in some markets by the end of next year. Submissions to treat genital herpes are likely at the end of 1994 or beginning of 1995. Such early launch dates would leave little time for SmithKline Beecham to establish its drug.

Lehman Brothers estimates famciclovir will not capture more than 25 per cent of the shingles market. Its share of the genital herpes market is unlikely to exceed 15 per cent or about \$75m. This means famciclovir annual sales will be about \$300m in 1995.

The additional marketing by the two companies could expand the market. A recent study suggested only 28 per cent of shingles patients receive anti-viral therapy.

Analysts reckon Zovirax sales could reach \$1.5bn within three years, while those for Valtrex could achieve \$150m. On the basis of these estimates, the herpes and shingles market could grow from \$1.18bn last year to \$1.9bn by 1995.

The struggle between SmithKline Beecham and Wellcome could have two winners.

Alexandra leaps to more than £2m

By Catherine Milton

ALEXANDRA Workwear, the uniform supplier, announced pre-tax profits more than doubled from \$572,000 to \$2,011m for the 28 weeks to August 14.

Earnings per share rose to 4p (1.8p). The directors declared an interim dividend of 3.1p (1.8p) on the back of improving trading results and continued reduction in borrowings.

Turnover rose to £31.9m (£30.9m) as the mix of business changed. Mr Julian Budd, finance director, said: "A year ago we were in a position of undertaking strategic sales giving very low margins, but keeping the factories going and allowing us to reduce stocks to levels commensurate with activity."

Stocks had now fallen and sales had increased on the back of higher turnover in the core business - stockback service to small businesses which require a 24 or 48 hour delivery.

Towards the end of the first half Alexandra opened new shops in Hanley, Northampton and Solihull as well as relocating an existing shop in Croydon. Further sites are being considered, the company said.

"All areas of the group have contributed to the results which have been achieved through greater efficiency and a better sales mix despite their being no fundamental improvement in trading conditions."

Mr Gerald Dennis, chairman, said there had been some signs of increased retail activity and the company has resumed its retail investment programme. "We look forward with confidence to the second half of the year where so far all areas of the group are maintaining their first half performance."

Borrowings fell to £7.59m (£13.5m) at the half way stage and the company anticipates further falls by the year end. Interest charges declined to \$463,000 (£1.05m).

The company had £7.3m in bank loans and overdrafts as well as £289,000 in hire purchase contracts.

Gearing fell to 34 per cent compared with 46 per cent in the comparative period.

Wensum recovery

The recent improvement in fortunes at Wensum continued in the six months to July 31.

The USM-quoted men's wear and corporate clothing company reported pre-tax profits of \$56,000 (losses of \$48,000).

Turnover improved from \$2.83m to \$4.12m. Earnings per share came out at 0.56p (losses 0.43p) and the interim dividend is raised from 0.575p to 0.625p.

The company said that a large part of its new clothing project should be completed in the second half.

Forward Technology losses double to £1.2m

By John Murrell

EFFECTS OF rationalisation pushed losses at Forward Technology Industries up from \$639,000 to £1.33m pre-tax for the half year to June 30.

Measures taken were in connection with the continental European recession which had affected French and German markets which account for 50 per cent of group sales.

Mr Brian Chilver, chairman, said the company had taken extensive remedial action to reduce costs and personnel and had charged \$300,000 against the opening half's results - the

total exceptional costs anticipated for the 1993 year.

He pointed out that recession was slowing progress towards "satisfactory profits" and that this would be inevitably reflected in full year results.

Group turnover for the half year rose to £20.1m (£17.7m). Electronics accounted for £16.1m, of which £2.1m (£1.3m) related to currency changes.

Electronics returned profits of £223,000 (losses £53,000) but sound and vision incurred losses of £58,000 (profits £132,000).

Losses per share widened from 1.6p to 3.6p.

Castle Communications rises to £1.5m

By Jean Marshall

REDUCED interest charges and the absence this time of exceptional losses helped lift profits at Castle Communications, the USM-quoted video and audio group, by 11.6 per cent, from £1.38m to £1.51m pre-tax, over the year to June 30.

Mr Terry Shand, chairman, said the results were mixed, with turnover up from £31.6m to £33.4m, but operating

profits down at £2.48m (£2.76m).

In the UK, trading conditions for the audio division, which accounts for more than 70 per cent of group turnover, remained difficult, Mr Shand said.

Video product sales fell as a consequence of Castle's concentration on own-label requirements of the multiples rather than its general catalogue sales.

However, Mr Shand said the group had substantially increased its investment in

video tangibles during the year by commissioning special interest programming mainly for WH Smith's own-label requirements. Benefits from that investment should come through in 1993-94, he added.

The pre-tax result was struck after net interest payable of \$966,000 (£1.2m).

Earnings per share advanced to 15.1p (10.4p) and the proposed final dividend is unchanged at 4.5p, which maintains the total at 8.5p.

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FACILITY AGENT

OCTOBER 1993

COMMODITIES AND AGRICULTURE

Crisis meeting called as Russian aluminium costs soar

By Kenneth Gooding,
Mining Correspondent

RUSSIAN ALUMINIUM producers, shocked by rapidly rising costs, have called a crisis meeting with government officials. Their energy costs jumped by 183 per cent on October 1 and last week transport costs went up by 150 per cent. Mr Yuri Shlaifstein, deputy director of foreign economic relations at Bratsk, the world's biggest aluminium smelter, said those

increases had raised the cost of producing aluminium in Russia to western levels. Bratsk and another big Siberian smelter, Krasnoyarsk, have been resisting the electricity price increase imposed by Moscow because Russia is under pressure from the International Monetary Fund to lift energy prices to international levels. Mr Shlaifstein said the Siberian smelters accounted for 86 per cent of the local power suppliers' business. "We appreciate they have to make a

profit but we have to convince the power suppliers there is a line they must not cross if smelters are not to close." He said that, until three years ago, Bratsk, which has the capacity to produce about 940,000 tonnes of metal a year, had "minimal" transport costs. After de-regulation of the transport sector these costs were now a great burden. Representatives of all Russia's smelters will meet senior government officials at Bratsk in mid-November.

The Anthony Bird Associates consultancy group estimated that in mid-1993 the Commonwealth of Independent States' smelters were producing aluminium for about US\$550 a tonne because of "astonishingly low input prices". Mr Horst Peters, general manager, technology marketing at VAW, the German aluminium group, estimated recently that the energy cost increase would push Russian smelter costs up to \$1,200 a tonne, well above recent London Metal Exchange

prices. Meanwhile, Russia's foreign economic relations ministry is this week having two series of meetings about the surge in CIS aluminium exports - widely blamed for causing real prices to drop to their lowest-ever level. A European Commission delegation, headed by Mr Jörn Keck, director of bilateral trade negotiations, is seeking a voluntary restraint deal limiting exports and an industrial co-operation accord to help

restructure the CIS industry. And yesterday talks with government representatives from other aluminium producing countries, including Australia, Canada, Norway and the US, as well as the EC. Some US companies want their government to seek cuts of at least 500,000 tonnes in CIS annual production and say they are ready to make dump-charge fees if no satisfactory solution to the CIS export problem is quickly found.

Argentina secures bigger share of fishery resources

By John Barham
in Buenos Aires

BRITAIN AND Argentina have reached a new agreement on sharing fish resources in the South Atlantic and waters surrounding the Falkland Islands after two days of talks in Buenos Aires. The one-year arrangement favours Argentina, which will increase its share of a substantially extended fishing effort next year - raising its catch of the prized hake squid by 70 per cent to 220,000 tonnes. The Falklands will retain its present quota of 150,000 tonnes. The agreement is to be signed in London early next month during an official visit by Foreign Minister Guido di Tella, in which Argentina's claims to the islands will inevitably feature prominently on the agenda. The accord will increase pressure on the islands' finan-

cial revenues, which depend heavily on the sale of fishing licences. The islands' government forecasts a 35 per cent fall in licence revenue next year to between \$15m and \$15.5m. Argentine negotiators say, however, that the islands could not delude themselves that they would never develop their fishing industry. This agreement allows them to plan ahead. Argentina is likely to continue increasing its share of the catch in future years. Britain had hoped to strike a long-term agreement with Argentina that would protect the islands' revenues. But Argentina is tying such an agreement to concessions by London over shared development of the islands' possible oil reserves and the lifting of the UK's arms embargo, imposed during the 1982 Falklands conflict.

Bratsk finds going tough in the real world

Kenneth Gooding on a town that depends almost entirely on its outdated smelter

MR YURI Shlaifstein is attempting to explain why Bratsk, the biggest aluminium smelter in the world, is diversifying into the manufacture of socks and poultry-hose. He acknowledges that some western industrialists might find it difficult to comprehend but the 300,000 people who live in the town of Bratsk rely almost entirely on the smelter for their livelihood. It provides 20,000 direct jobs and 77 per cent of the town's income. The \$2m of precious foreign currency invested in the smelter business provides badly-needed jobs, is making products for which there is a ready demand and is profitable.

The Bratsk smelter, located in Siberia, uses out-dated Soderberg technology and is a big polluter. The town authorities don't like the pollution but need the smelter. A compromise resulted in Bratsk cutting output a little. One of Mr Shlaifstein's colleagues told Reuters this week that the smelter was producing 750,000 tonnes of aluminium a year compared with its capacity of 940,000 tonnes.

"Russians must often choose between suffering from environmental problems or losing jobs and their ability to feed their families," points out Mr Shlaifstein, who is the deputy director of Bratsk Aluminium

Plant responsible for foreign economic relations. Bratsk plans more investment to cut pollution - he says \$12m has been spent so far and a similar outlay was made to improve the infrastructure around the smelter. It was essential that this be done without interrupting production of the metal that provides the cash to pay for it all. Now the European Commission and the US aluminium industry is pressing for all the smelters in the Commonwealth of Independent States to cut production and exports. Talks are going on in Moscow this week in the hope that a framework for an agreement can be reached. Mr Shlaifstein suggests: "If it is assumed that Russia should make all the sacrifices the talks [with the EC] won't succeed."

He says he could supply the EC delegation with ten to 15 reasons why EC smelters should close and adds with a knowing smile, "but we do not have such a strong lobby in the EC as the French". Russia's moves towards establishing a market economy are now causing its aluminium industry severe problems. Since the beginning of October electricity prices have risen by 180 per cent and transport costs by 150 per cent and Mr Shlaifstein suggests that Russian aluminium production

costs are now level with those in the western industry (see story above). Since demand in Bratsk's domestic market dried up a western analysts say at least half of all the aluminium produced by the former Soviet Union went to its military machine) the smelter has been exporting about 450,000 tonnes a year. The EC decision to restrict imports of CIS aluminium until the end of November had very little impact on the smelter, says Mr Shlaifstein. But it has raised protests in Bratsk, the region in which the smelter is located.

Bratsk was allocated 100,000 tonnes of duty free aluminium exports from the two smelters in the region to barter for essentials such as food and medicines. This metal had to be directed away from the EC and the essentials were bought elsewhere in the world. "EC manufacturers lost the opportunity to deliver products to Russia. We are establishing links in Japan and the US that might not have been necessary [without the import restrictions]. We are bringing in food from China which stopped buying our aluminium in 1990 but is now a customer again." Bratsk is attempting to stimulate new Russian demand for aluminium, but this will take time. Mr Shlaifstein says that two joint ventures have been

formed, one with a Japanese and one with a US partner (which he will not identify), to set up factories to produce non-stick cookware. About \$5m is being invested, most of the equipment has been delivered, and the first factory should start up early next year. He says these ventures should consume about 20,000 tonnes of aluminium a year. Other CIS aluminium smelters are involved in similar projects.

Perhaps most important to working on a scheme that should give it easier access to investment capital while cutting the price it pays for raw materials and raising the value of the aluminium it exports. These are the aims of Rosal Trading, a joint venture with Trans-World Metals, a London-based organisation that claims to be the biggest trader of Russian aluminium.

Trans-World previously provided finance for raw materials to "kick-start" Bratsk's production when the smelter was dangerously close to running out early last year. The London company is also involved in a joint venture with the local authority which has provided facilities for Bratsk to import alumina (aluminium oxide) and export aluminium in bulk at the port of Vanino on the east coast of Siberia.

Smartly turned out in a western suit and chain-smoking Marlboros, Mr Shlaifstein sits in Rosal's sparsely furnished new office in the Trans-World headquarters and recalls that until three years ago Bratsk's aim was to produce as much aluminium as possible. It received no foreign currency for its effort, all that went to the state, and it had no contact with consumers so the management had no idea that the metal being produced was considered low-grade. "One reason we formed this company was to share Trans-World's experience and contacts abroad. Contacts with consumers will enable us to change production to meet their requirements. It will cost us very little to make these changes," he says.

Also, Bratsk wants to break out of the barter system into which it was forced by cash shortages. It has to import 50 per cent of its raw materials and pay for them with aluminium. "The best way is to buy raw materials at the lowest possible price and sell aluminium at the highest possible price. When you have to deliver metal to pay for raw materials you do not get the best price."

The link with Trans-World gives Bratsk access to western banks and trade finance and, further down the road, invest-

RUSSIA
MONGOLIA
CHINA

Canadian group plans Andean mine venture

By John Barham

MUSTO EXPLORATIONS, the Canadian-owned mining group, is in talks with 18 international mining companies on the development of a US\$450m-\$500m project in western Argentina. The company has a one year option to develop what it claims is a world-class gold and copper deposit in the Andean foothills and is looking for partners to share development costs.

It is close to completing an 18-month, \$7m feasibility study of the Bajo de la Alumbrera property for YMAD, a mining company owned by the local provincial government of Catamarca. Musto intends to take up a one-year option to develop the project in association with YMAD and international investors.

If all goes well, the Catamarca mine would be the first major mining investment in Argentina in decades. Argentina's xenophobic mining laws once discouraged investment, but in June it introduced new legislation eliminating investment barriers.

Musto says Bajo de la Alumbrera is "one of the largest proven unexploited porphyry copper/gold deposits in South America" and could produce 280m lb of copper concentrate and 390,000 troy ounces of gold a year for 20 years. Construction work would take two to

three years before the mine could begin production.

Among companies in talks with Musto are Cyprus, American Barrick Resources, Placer Dome and RTZ, as well as negotiating financial packages with First Boston and Chase Manhattan banks.

Progress is being held up, however, by negotiations in the Catamarca legislature over the royalties it will levy on the mine.

The federal government says that 20 local and foreign mining companies are operating nine mines in Argentina and are considering 64 possible projects in which they have already invested \$103m. Officials say that two of the largest projects should attract investments of \$500m.

● Brazil may cut its tin output by 10 per cent next year because of low prices in the world market, but is in no hurry to join the Association of Tin Producing Countries, which is co-ordinating producer efforts to reduce world supply. Mr Samuel Hanan, president of Brazil's mining and construction company Faranapama, said yesterday, reports Reuter from Kuala Lumpur. Mr Hanan, who was attending an ATPC meeting here, said Brazilian exports have also fallen by 10 per cent from 18,500 tonnes in 1993, well below an export limit of 24,000 agreed with the ATPC.

Venezuela volunteers to mediate in banana exporters' dispute

By Carole James
in Port of Spain

VENEZUELA HAS volunteered to mediate in the simmering dispute between Latin American and Caribbean banana producers over access to the European Community market.

The offer was made by President Ramon Velazquez during a meeting in Port of Spain, capital of Trinidad and Tobago, with the presidents of Colombia and Mexico and the leaders of the Caribbean Community

and Suriname. It followed an attack at the conference on the Latin American producers by Mr Vincent Mitchell, the prime minister of St Vincent, who said that the economies of the Windward Islands of the Caribbean and of other traditional banana suppliers to Europe, were threatened by "indiscriminate flooding of the market by supplies from Latin America".

"Should our economies be destroyed by this, then relations between Latin America

and the countries of the Windward Islands are quite likely to suffer irreparable damage," Mr Mitchell said.

The row between the Latin Americans and the EC's traditional suppliers in the African, Caribbean and Pacific group is over the community's banana import regime, implemented in July, which imposes a 2m tonnes-a-year quota for Latin American fruit. Imports up to that level attract duty of \$100 (\$78) a tonne while a duty of \$100 (\$78) a tonne is applied to above-quota imports.

The community's traditional suppliers in the ACP group have tariff access for the remainder of the EC's quota of about 1.5m tonnes a year. The ACP producers say many economies dependent on banana exports face damage through reduced market access while the Latin Americans say they are more efficient producers and should benefit from an open market for the fruit.

"Market intelligence since the introduction of the new

regime is indicating that the banana situation in Latin America is not turning out, for Latin America, to be as negative as those countries have been asserting," Mr Mitchell said. "The survival of the Windward Islands' economies depends on banana exports. We produce less than 2 per cent of the bananas in the Western Hemisphere and supply only 20 per cent of the European market."

Mr Patrick Manning, prime minister of Trinidad and

Tobago and chairman of the summit meeting, said that the leaders of Colombia, Mexico and Venezuela had understood the arguments of the Caribbean banana producers and others in the ACP group.

"Venezuela has undertaken to co-ordinate discussions with the Latin American producers, while St Lucia will do the same for the Caribbean producers," Mr Manning said. "The plan is for a ministerial meeting with an agenda to discuss the matter and find common ground."

WORLD COMMODITIES PRICES

MARKET REPORT

The GOLD reached a two-month high as fresh US investor fund buying piled into the New York futures markets. In London it closed at \$372 a troy ounce, up \$5 on the day. "It is quite a strong move. The [investment] funds are buying it fairly heavily," one dealer said, adding there was no physical demand. "Dealers were buying to test the price at over \$370," he said. SILVER was also strong, ending 13 cents up at \$4.51½ an ounce, but Platinum lagged with a \$1.85 rise to \$375.10 an ounce. At the London Metal Exchange the three months TIN price rose to a fresh 10-week high of \$4,970

a tonne but found expected stiff resistance near \$5,000 and ended after hours trading at \$4,950 a tonne, up \$70 on balance. COPPER ended its decline with three months metal gaining \$12.75 to \$1,645.25 a tonne in what dealers described as a "technical consolidation". ZINC was unable to extend initial upward momentum, with the rise attracting hedge selling, although an undercurrent of support remained, based on continued talk of production cuts. The three months price closed at \$952.50 a tonne, up \$11.

Compiled from Reuters

London Markets

SPOT MARKETS
Brent oil (per barrel FOB Dec) +0.06
Brent Blend (delivered) +0.11
West Texas Intermediate (WTI) (per barrel) +0.08
WTI (1st Jan est) +0.05

Oil products
Crude oil (per barrel FOB Dec) +0.06
Premium Gasoline +0.06
Gas Oil (per barrel) +0.06
Naphtha +0.06
Petroleum Argon Estimation +0.06

Gold
Gold (per troy ounce) +0.06
Silver (per troy ounce) +0.06
Platinum (per troy ounce) +0.06
Palladium (per troy ounce) +0.06

Copper (US Producer)
Lead (US Producer) +0.06
Tin (US Producer) +0.06
Zinc (US Producer) +0.06

Cattle live weight
Sheep live weight +0.06
Pigs live weight +0.06
London daily sugar price +0.06
London daily sugar price +0.06
Tale and live export price +0.06

Barley (English lead)
Wheat (US No. 3 yellow) +0.06
Wheat (US Dark Northern) +0.06

Rubber (Nov)
Rubber (Dec) +0.06
Rubber (Jan) +0.06

Copra (Philippines)
Palm Oil (Malaysia) +0.06
Cocoa (Philippines) +0.06
Soyabean (US) +0.06
Cotton (US) +0.06
Wool (US) +0.06

2 a tonne unless otherwise stated, p=per cent, c=cent, f=futures, d=delivered, w=week, m=month, y=year, 1st Jan est=1st January estimate, 1st Jan 94=1st January 1994, 1st Jan 95=1st January 1995, 1st Jan 96=1st January 1996, 1st Jan 97=1st January 1997, 1st Jan 98=1st January 1998, 1st Jan 99=1st January 1999, 1st Jan 00=1st January 2000, 1st Jan 01=1st January 2001, 1st Jan 02=1st January 2002, 1st Jan 03=1st January 2003, 1st Jan 04=1st January 2004, 1st Jan 05=1st January 2005, 1st Jan 06=1st January 2006, 1st Jan 07=1st January 2007, 1st Jan 08=1st January 2008, 1st Jan 09=1st January 2009, 1st Jan 10=1st January 2010, 1st Jan 11=1st January 2011, 1st Jan 12=1st January 2012, 1st Jan 13=1st January 2013, 1st Jan 14=1st January 2014, 1st Jan 15=1st January 2015, 1st Jan 16=1st January 2016, 1st Jan 17=1st January 2017, 1st Jan 18=1st January 2018, 1st Jan 19=1st January 2019, 1st Jan 20=1st January 2020, 1st Jan 21=1st January 2021, 1st Jan 22=1st January 2022, 1st Jan 23=1st 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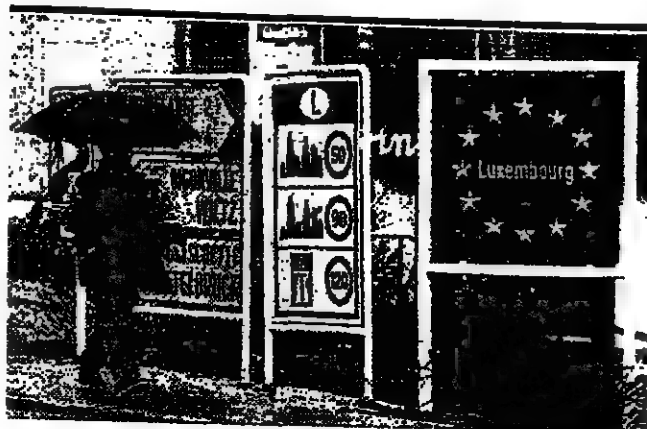
مركز الأخبار

LUXEMBOURG

Thursday October 21 1993

The European Investment Bank, based in the Grand Duchy, has a forceful new president: Page III

Foreigners are at a loss to categorise Letzebuergesch, the local language: Page IV



A mixture of Rutland and Ruritania, the Grand Duchy packs an economic punch out of proportion with its size and population. It has exploited deftly the opportunities offered by open borders, free trade and steady progress toward deeper European integration.

Photo: Tony Anderson/Clyde Davis

In the 25 years since the foundation of the European Community, Luxembourg has earned a justified reputation as a mighty micro-state.

A mixture of Rutland and Ruritania, the Grand Duchy packs an economic punch quite out of proportion with its size and population. It has exploited deftly the opportunities offered by open borders, free trade and steady progress toward deeper European integration.

Over the past 12 months, the EC has been shaken by a series of political, economic and financial crises which have raised questions about its identity, its future development, perhaps even the historic inevitability of integration.

In the Roaring Eighties, when Europe's economy boomed, the Grand Duchy's population of 400,000 benefited enormously from its geographical position near the centre of a single European market of 340m people. But these are hard times for the EC, and the slump in the economies of neighbouring Germany and Belgium has left Luxembourg looking more exposed.

The extent of its vulnerability should not be exaggerated. In 1992, Luxembourg's banking sector increased its profits by 18.5 per cent - on top of a growth rate of 24.1 per cent in 1991. Unemployment remains at less than 2 per cent, compared to an EC average of between 10 and 15 per cent. This summer, Luxembourg was the only member state in

its economic performance makes the Grand Duchy the only EC member state to fulfil all five 'convergence criteria' required under the Maastricht treaty to join a European monetary union. Threats to its EC status will be stoutly resisted. Lionel Barber reports

Mighty EC micro-state

The EC which met all the Maastricht treaty's economic convergence criteria - the targets set for membership of a future European monetary union.

The most pressing concern centres on the economic downturn in Germany, together with the currency crises which have swept through the Community since Danish voters rejected the Maastricht treaty in June 1992.

The initial targets for international financial speculators were "soft-core" currencies such as the British pound and the Italian lira; but in the spring and summer of 1993, the assault shifted to the "hard-core" grouping including the French franc, the Danish krone and the Belgian franc,

which remains linked in a 71-year-old currency association to the Luxembourg franc.

The recent weakness of the Belgian franc has touched a raw nerve because it evoked memories of the 1932 currency crisis in which the Brussels authorities devalued their currency unilaterally, without consulting Luxembourg.

Fearing a possible re-run, Luxembourg has sent messages to the Dehaene coalition government in Belgium that it expects every effort to be made to preserve the value of the currency through a tight link with the D-mark. At the same time, internal studies have been drawn up, examining the impact of a future devaluation and assessing the *Schmerzgrenzen* - pain barriers - beyond which Luxembourg might have to re-examine its currency association.

This would be a big step into the unknown. In the meantime, Mr Jacques Santer, Luxembourg's long-serving prime minister, remains adamant that he believes the currency association (which was renewed last year) will continue: "It is not the Luxembourg tradition unilaterally to denounce treaties," he said in a speech earlier this month.

Behind these worries about Belgium's economic strength and its political cohesion lies a more general worry about Luxembourg's position in a Community on the brink of a new phase of enlargement; it is supposed to take in Finland, Norway, Austria and Sweden by January 1 1995.

One, perhaps even two of the candidates within this group may well fail in their bid for admission. But Luxembourg still faces a dilution of power, disconcerting for a founder member of the EC which has long enjoyed an influence greater than its size.

Recent reports that France, Germany and the UK are toying with the idea of cutting down the size of the European Commission to 10 members are unsettling; so is the notion that an enlarged EC should adapt the system of qualified majority voting, to defend the position of the bigger states.

One senior Luxembourg official says he was "appalled". He suggests that this would spell not only the loss of Luxem-

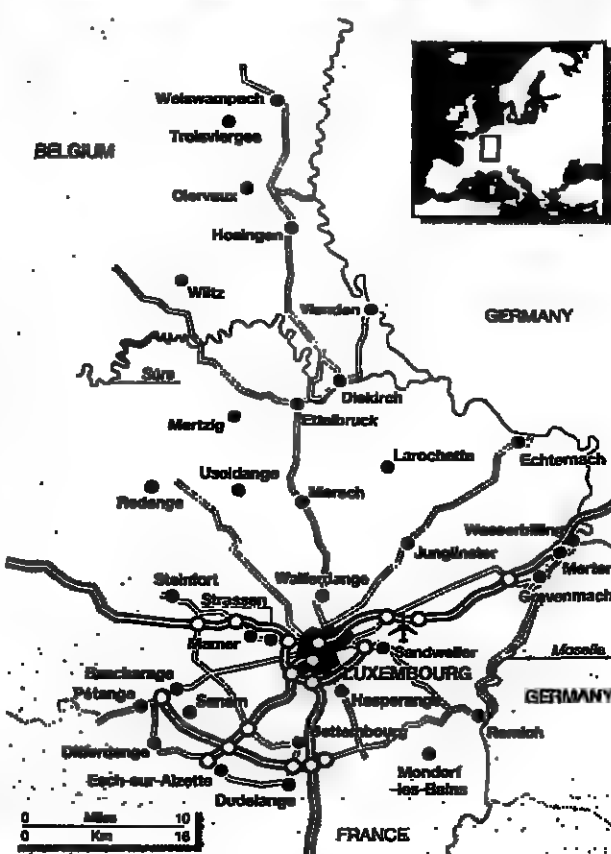
bourg's right to send its own Commissioner to Brussels, but also an EC dominated by the bigger member states, following the principle of 19th century balance of power politics. "The efficiency of the EC is important, but you must not go back to the Congress of Vienna," he says.

For Luxembourg, preservation of the status quo touches on the question of national identity. "Luxembourg has always been very favourable toward Europe," says Mr Jim Cloos, *chef du cabinet* to Mr Rene Steichen, Luxembourg's commissioner in Brussels, responsible for agriculture. "But we are often afraid of being submerged or swamped."

He adds: "We are emotionally closer to France and economically linked to Germany, but we are neither French, nor German, nor Belgian. We are something in between."

It is wrong to speak of an upsurge in nationalism; but, like neighbouring Germany, Luxembourg has lost its uncritical attitude toward the EC. Politicians such as Mr Fernand Rau have made mileage out of running against the Maastricht treaty, singling out its concept of EC citizenship which provides for the extension of voting rights for foreigners.

Mr Rau, 52, is the Ross Perot of Luxembourg politics. His campaign to curb public spending and raise private pensions to the generous level of state employees failed to take off in the recent local elections, where the Green Party fared



better; but he remains a threat to the establishment because he has spotted the dangers of pursuing European integration beyond reasonable limits.

In the post-second world war era, Luxembourg has brilliantly exploited EC legislation to carve out a position as a leading European banking

financial centre, breaking its earlier dependence on the steel industry. For example, when the European Commission issued its directive on European-wide investment funds in 1988, Luxembourg's parliament responded with appropriate legislation within four weeks. This nimble approach antici-

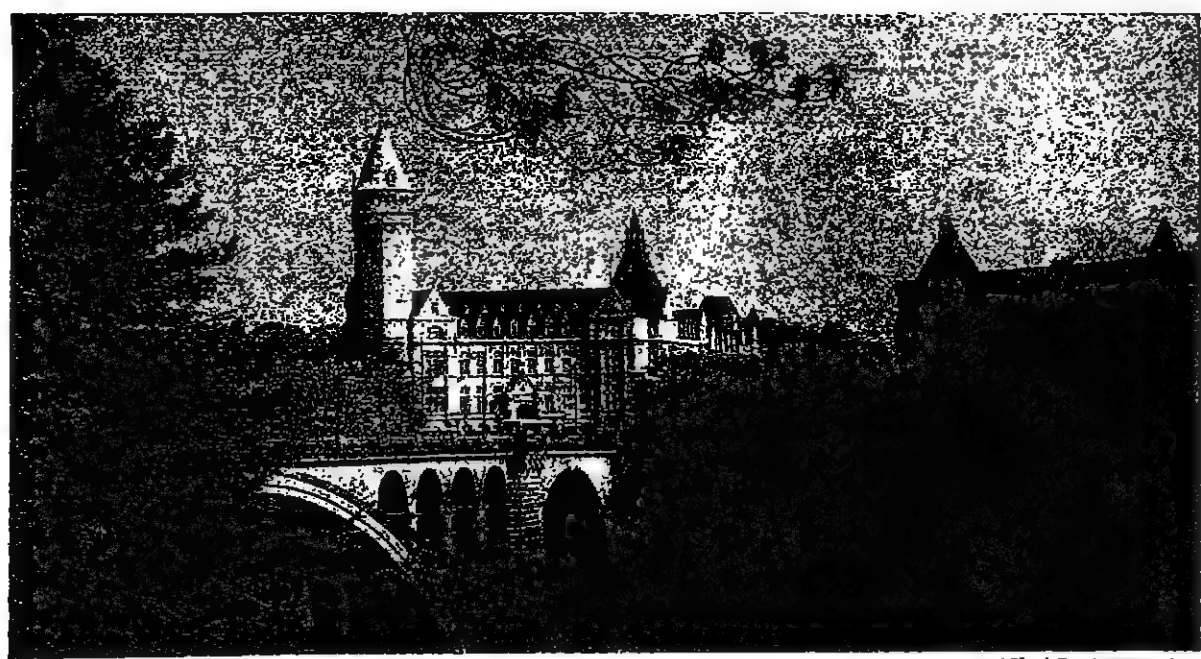
ated future EC legislation, paving the way for the Grand Duchy to attract more than 1,000 investment funds.

On the other hand, the Community's drive to harmonise tax legislation - notably the withholding tax - constitute a direct threat to Luxembourg's status as a financial centre. Savings running into billions of francs would switch to tax havens in Europe such as the Channel Islands or Monaco.

Similarly, Luxembourg has no intention of sacrificing its other chief advantage in the financial sector: banking secrecy. Any change in either the withholding tax or banking secrecy would amount to a significant blow to an industry which itself accounts for between 10 and 12 per cent of the Grand Duchy's gross domestic product.

Leading executives such as Mr Charles Ruppert, president of the Luxembourg Banking Association, argue that the financial sector's strength has more to do with intellectual agility and high-quality training than favourable tax laws. He points to the successful expansion of Luxembourg's commercial satellite and television sector as prime examples.

But Mr Ruppert cautions that new arrangements for enlargement and integration should preserve member states' national assets such as banking and finance, even at the expense of European-wide harmonisation. In this respect, Luxembourg speaks for many of the bigger members of the EC, including the UK.



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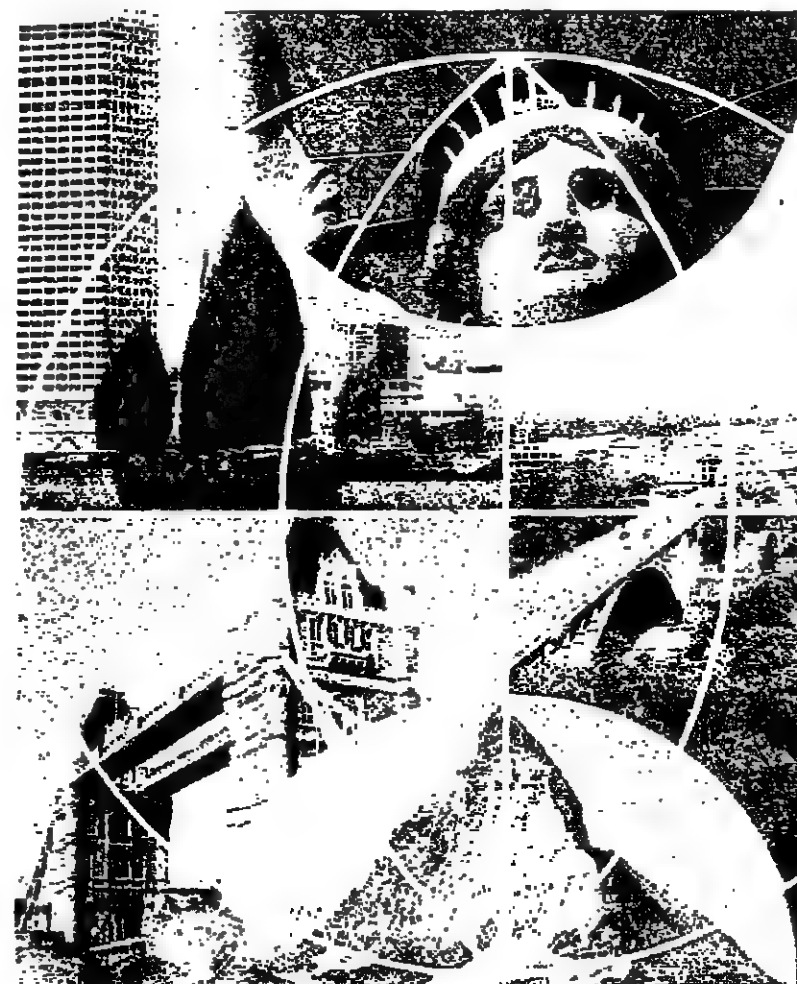
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LUXEMBOURG II

Simon Gray follows the economic signposts

Recession is too strong a term

LUXEMBOURG politicians and businessmen say anxiously that the Grand Duchy is teetering on the brink of recession. Indeed, every industry except the financial and media sectors claims to be facing recession, if not a crisis. But even if the pessimists are right, it does not look like the kind of recession other countries would worry about very much.

According to the World Bank, Luxembourg had the world's second highest GDP per head (after Switzerland) last year: \$35,290.

The ministry of economic affairs estimates economic growth in 1992 at 2.8 per cent, and predicts rates of 1 per cent for this year and 1.6 per cent for 1994. To be sure, this is a reduction from Luxembourg's 1987-91 average of 5.1 per cent, but technically it is nothing like recession.

Nevertheless, it would be hard to persuade Arbed of the truth of that. The Luxembourg-based steelmaker lost LFr3.3bn francs (\$95m) in 1992 and expects the deficit to widen to LFr5bn (nearly \$160m) this year.

The workforce engaged in steel production in the Grand Duchy stood at 27,000 in the mid-1970s. It stands now at 3,300 - and Arbed is planning to cut this to 6,000 by 1996.

Steel is only the most con-

spicuous sign of slowdown in the economy. After nearly 10 years of success on the back of commercial property development, the construction sector has run out of steam - even if the industry's own forecast of 10,000 jobs at risk (out of some 21,000) looks like scaremongering.

Overall, industrial production by volume (excluding construction and civil engineering) fell by 0.6 per cent last year and slipped by a further 2.9 per cent in the first quarter of 1993. Industry executives believe that, in general, production is now stabilising, but there is no sign of an improvement in prices.

Consumer spending in supermarkets and chain stores declined by 1.4 per cent last year, although early figures indicate a resurgence in 1993. The number of new cars registered in the Grand Duchy in the first four months of the year fell by 25.3 per cent compared with the same period in 1992.

Even residential property prices, which roughly doubled between 1986 and 1992, seem to have hit a ceiling.

This year has seen a small but steady trickle of job cuts at companies such as Du Pont de Nemours, Villeroi & Boch, the ceramics manufacturer, and Electrolux. These have contrib-

uted to an unemployment figure of just under 3,400 at the end of August - a record low, although still barely two per cent of the working population. But this does not tell the whole story. At the same time that unemployment has been rising, so has total employment - by 3,400 in the year to February.

The "new" unemployed tend to be Luxembourg residents who were previously working in industry; in many cases, older people whom the Employment Administration tactfully describes as "hard to place." The meantime, ever more commuter employees from Belgium, France and Germany are coming into the workforce.

Frontaliers, as they are known, have long played an important role in the Luxembourg economy. But their numbers have shot up rapidly over the past few years: from 28,600 in 1989 to 45,400 in February 1993, in parallel with the growth of the financial sector.

Precise figures are hard to come by, but the best guess is that about half of all jobs in Luxembourg are filled by foreigners, either commuters or residents.

In the financial sector - where the Luxembourg Monetary Institute keeps exact figures - the proportion of for-



Arbed headquarters (left) and steelworks (right). The Luxembourg-based steel-maker lost LFr3.3bn francs in 1992 and expects the deficit to widen to LFr5bn this year

signers at the end of June this year was 52.5 per cent.

The banking industry and its constellation of financial services companies lead the other side of the Luxembourg economy - the side which has enjoyed surging growth, even as other sectors were running into difficulties.

Last year the 313 banks based in the Grand Duchy (there are now 221) collectively improved their profits by 18.5 per cent, on top of a 24.1 per cent growth rate in 1991. Similar growth has occurred in the investment fund industry: its aggregate net assets more than doubled, from LFr4.157bn to LFr8.818bn, between December 1991 and June this year.

Industry is by no means united in gloom. Sommer Allibert has decided to expand its new auto components factory near Clervaux; Gootyear is expanding tyre production at Colmar-Berg; Circuit Foil, the copper foil manufacturer, is investing LFr2.7bn (\$78m) in its facility at Wilts. And Arbed is pressing ahead with a LFr12.5bn (\$390m) investment programme, including replacement of two blast furnaces with electric arc furnaces.

The commercial property market, where rampant oversupply sent prices tumbling by more than 20 per cent between 1990 and the beginning of this year, is also showing hesitant signs of recovery. A new business park near Luxembourg airport struggled initially to find tenants but is now nearly full. Work started in July on a LFr2.6bn office and hotel complex south of the city, and the government's ambitious plans for development of the Kirchberg plateau have been rescued by Hochtief, the German developer, which has taken over a

project dropped last year by Sweden's Skanska. The brightest performer, however, has been the media industry, where the Société Européenne des Satellites has consolidated the market dominance of its Astra TV satellite system. The Compagnie Luxembourgeoise de Télédiffusion made record profits in 1992 as RTL-plus in Germany and RTL4 in the Netherlands led their markets in terms of both audience share and advertising revenue.

Overall, while Luxembourg's economic outlook is relatively bright, questions remain.

Can inflation be kept under control? Since 1987, when prices actually declined, inflation has risen to a steady 3.5 per cent, fuelled by a government budget deficit and a salary indexation mechanism which trade unions are reluctant to let go.

This index is part of what the Luxembourg Industry Federation (Fedil) and other employers' groups see as an

increasingly uncompetitive cost structure. They would prefer lower social security charges on employers and more flexibility in dealing with a workforce which, in general, is expensive to hire and difficult to fire.

They are also concerned about the growing impact of environmental activists, who did well in the municipal elections. Environmental protests recently persuaded the Fulflex group to drop plans for a rubber factory in Kehlen - and

may derail a planned industrial waste dump near the affluent dormitory town of Mamer.

Longer term, there is concern that a return to prosperity in neighbouring areas of Belgium and France could cut off a source of manpower on which Luxembourg is increasingly dependent.

The alternative would be more immigration - no easy political option in a country where, already, about a third of the population is foreign.

OFFICIAL PRICE LIST

	1990	1991	1992 1st half	1992 1st half	1993 1st half
Bonds	7424	7488	7249	7048	6930
National	104	113	124		
International	7320	7375	7125		
Stocks and shares	250	264	266	268	266
National	81	70	70	66	66
Foreign	169	194	196	202	202
Investment Funds	1359	1593	1890	1783	1815
National	1329	1505	1657	1754	1889
Foreign	30	24	23	29	26
Warrants & others	1078	1183	1080	1064	1086
TOTAL	10131	10504	10285	10163	10108

Source: Luxembourg Stock Exchange

The Stock Exchange

Continuous trading needed

LUXEMBOURG'S stock exchange is home to the Eurobond. It was first issued in 1963, and is celebrating its 30th anniversary, but the tiny bourse is also looking to the future, seeking to carve for itself a niche in the European Community's single market.

It hopes to be sitting pretty through a period of less inverted trading and more international activity - with an eye on the 1996 implementation of an EC Investment Services Directive (ISD) which gives brokers a "passport" to trade throughout the EC, and a much-touted "Eurolist" allowing important securities to be simultaneously listed on various European exchanges.

"We were always based on transnational and transcontinental business," says Mr Edmond Israel, the bourse chairman. "All developments leading to greater efficiency for transnational business in Europe will enhance the business in Luxembourg."

Mr Israel, together with other officials in this tiny country wedged between France, Germany and Bel-

gium, is touting a tradition of international expertise. Between 75 per cent and 80 per cent of the world's outstanding Eurobonds are listed in Luxembourg. While lower interest rates around Europe helped the Eurobond market to break volume records, analysts noted its ability to withstand currency turbulence.

With more than 10,000 securities denominated in 26 currencies, the exchange is a significant part of Luxembourg's financial centre

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June rose to LFr23.34 bn, an increase of 23.49 per cent over the first 1992 period. Mr Israel predicts that volume will continue its climbing pace. "By December 31 this year I would anticipate a growth of between 25 and 30 per cent over last year."

He also says that, thanks to Luxembourg's liberal trading tradition, the volume of trading off the exchange "exceeds by far" that of on-exchange trading. Under the ISD, those transactions will have to be reported to a central authority, increasing the bourse staff's workload.

Although he says the on-exchange turnover is "extremely satisfactory," it is still one of Europe's smallest. Mr Israel wants "to increase the transactions more substantially." That means computerising securities. While nearly 800 securities are now being traded electronically, traders complain that the computers are not always working.

Meanwhile, the old, open outcry system still prevails. Trading floor activity is still limited to between 10.45am and 1.15pm - a disadvantage compared to Paris, which trades between 10am and 5pm. Plans to extend the Luxembourg exchange's hours have not yet borne fruit, but Mr Israel says: "There's more than a fair chance that it will happen next year." No decision has yet been taken on which securities could be traded during extended hours.

Traders say that another feature ripe for change is the manner in which securities are called in succession on the exchange, allowing trading on a particular bond or share only when it has been called. Securities also come up one by one on trading screens. "We absolutely must create a continuous trading market throughout the working day," complains one Luxembourg trader.

Luxembourg has continued on its path towards making investment funds a speciality: it lists 1,915 domestic and foreign funds. But bond trading constitutes the bulk of the exchange's activity, thanks mostly to listings by foreign companies. With 855 new bonds listed since January, bond turnover reached LFr15.48b in June.

Mr Israel says that he expects to see growth in Luxembourg franc and Ecu-denominated bonds, as well as shares of "major international investment funds" which he declined to identify. He also foresees growth in equities, "where next year the Eurolist shares could play a major role."

Though the Ecu remains the most traded currency, it has slipped as the bond denomination of choice, accounting for nearly half the bond volume a year ago, but not even a third of its volume today.

Luxembourg franc-denominated bonds now represent 17

per cent of total bond trading, followed by Canadian and US dollar bonds. And bonds have shrunk as a fraction of total trading volume, from 75 per cent last December to some 66 per cent in June.

Meanwhile, stocks and shares, which accounted for 26 per cent of total trading on the bourse in 1992, now constitute 33.7 per cent.

Luxembourg securities account for nearly 90 per cent of stock trading. Of the exchange's 66 domestic shares and 202 foreign ones, the top 10 traded shares so far this year are all Luxembourg companies.

Those include Arbed, the

steelmaker, whose shares remained remarkably stable despite the announcement of heavy losses, and Audiofina, the holding company, whose shares rose to record heights. (Audiofina holds a controlling stake in the Compagnie Luxembourgeoise de Télédiffusion.)

Mr Israel's view is that domestic companies will remain the core business on Europe's larger stock exchange, but that - at least in Luxembourg - the drive for a European single market will "bring more players into the picture."

Elizabeth Wise

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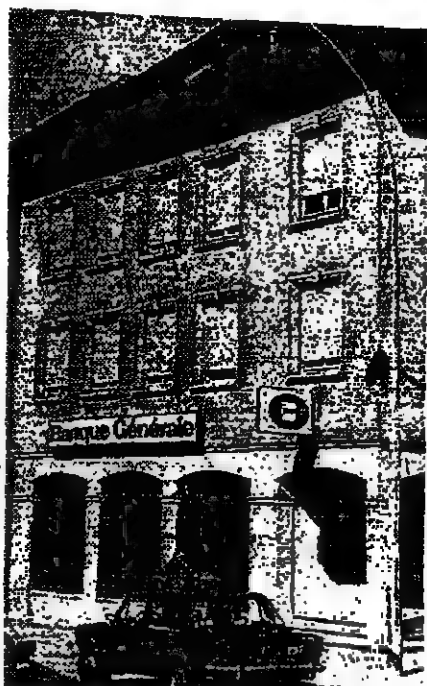
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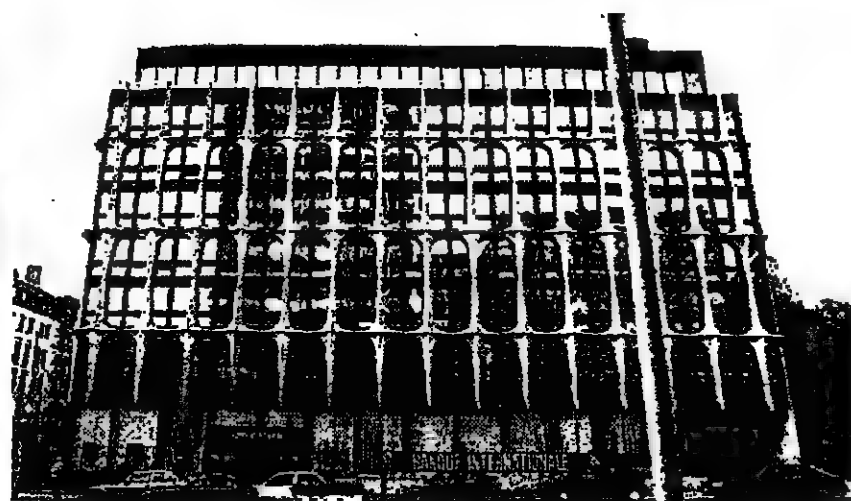
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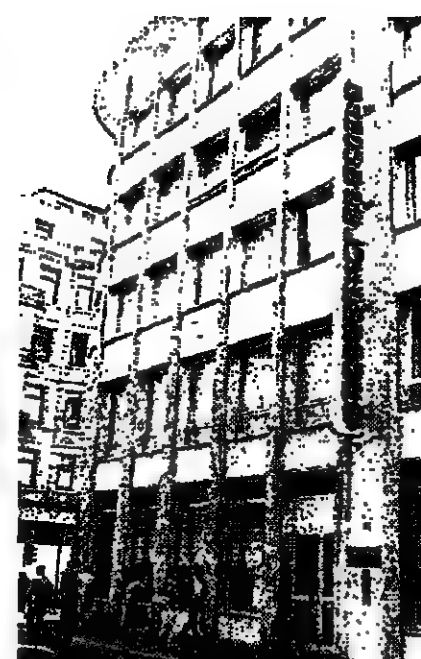
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Banque de Luxembourg

The banks have proved resilient in the face of increasing competition, reports Lionel Barber

Last year's profits flowed like wine



Pierre Jaans, head of the Luxembourg Monetary Institute, the financial regulator

THIS month's gala reception in the spa town of Mondorf-les-Bains was a glittering occasion for the Grand Duchy's leading bankers. Mr Jacques Santar, Luxembourg's prime minister, was present; so was Crown Prince Henri. The wine flowed almost as fast as the past year's profits.

This has been an outstanding year for Luxembourg's banks. The industry proved much more resilient than expected in the face of increasing competition and the sharp economic downturn among its neighbours, particularly Germany.

Yet behind the story of steady expansion, there are nagging concerns.

Fresh efforts to introduce an EC-wide withholding tax threaten one of the cornerstones of the industry. At the same time, there may be less to the surge in 1992 profits than meets the eye - it was almost certainly inflated by the influx of German savings seeking a safe haven from the Bonn government's tax net.

The Luxembourg Bankers Association (ABBL), the principal organisation representing the industry, has grasped the danger of being branded a tax haven whose principal strength lies in exploiting fiscal anomalies within the EC. It has come up with a three-pronged counter-attack.

First, the ABBL argues that the Grand Duchy may be ready to strike a deal on withholding tax, but only if the new arrangements cover OECD countries. This means Switzerland, as well as tax havens such as the Channel Islands, Gibraltar, Lichtenstein and Monaco.

Second, the ABBL has launched a campaign to convince the rest of the world that Luxembourg's investment in technology, innovation and training means that its status as a leading financial centre is secure, even if Europe's politicians choose to tinker with the tax rules.

Third, the Association is trying, with some success, to reduce the industry's high cost base. This means introducing much more flexibility into salaries to reflect responsibility and performance and break the traditional link with inflation.

Occasionally the campaign errs on the over-optimistic side. A recent survey by Arthur Andersen, the international management consultants, concluded that Luxembourg's banking industry was entering a period of consolidation; but it also reported a remarkable confidence among executives working for the Grand Duchy's financial institutions.

Looking ahead to the year 2000, the survey cheerfully predicted that the amount

of funds under management could reach \$760bn; operating profits could amount to \$5.3bn; and staffing would be about 20,000. Meanwhile, the number of banks was likely to rise from the present 220 to more than 250. Yet the survey also acknowledged that these headline figures assumed an unchanged fiscal and regulatory environment.

Some may disagree that this is a "reasonable" assumption; others would concede, however, that the industry has matured over the past 10 years as it has developed new services in private banking, custodial services, and financial instruments.

During this period, there has been a steady move away from reliance on interest income, where margins are being squeezed by competition as a source of revenue.

In 1992, net interest income grew by 8 per cent only; it also dropped as a share of gross results to 70.8 per cent, the lowest level ever recorded - a shift which can be explained largely by highly profitable foreign exchange and securities trading. Like London and New York, Luxembourg knew how to exploit the recent upheaval in the European Exchange Rate Mechanism.

Mr Chris Cottrell, head of the Fleming Flagship Fund, whose total net assets passed \$1bn this year, says that Luxembourg's chief attraction lies in its proximity to the French and German markets and its ability to implement legislation without delay. This was true of the investment fund law in 1989; but it will also apply to the new USITS unit trust legislation

scheduled to come into force next July.

Flemings employs 120 staff from 14 different countries. This same multilingual, multinational spirit infuses leading local banks such as Banque Generale de Luxembourg. "We hire good young people," says Mr Paul Meyers, a senior executive, "and we invest heavily in information technology."

Banque Generale's development shows how it has diversified from its more traditional business of supporting local industry, as shown by its continuing minority equity stake in Arbed, the steel-maker. The Luxembourg bank recently set up the Northumberland Group in the UK which employs 40 people specialising in Personal Equity Pensions; and it has expanded its expertise in fund administration to the point where it has 295 compartments managing more than 100 funds.

Among US banks in Luxembourg, Chase Manhattan offers an example of the development of private banking services. Chase's target market is the individual with a minimum of \$1 million capital. (Exceptions are made if the client has \$500,000 and has good prospects of quickly hitting the \$1m mark). Many of Chase's clients are owners of small and medium-

sized businesses in neighbouring Belgium, France and Germany.

Mr Pierfranco de Vita, general manager of Chase's private banking branch, which reports to a head office in Geneva, says that clients are attracted at the prospect of being able to tap into Chase's other services such as corporate finance. "Most of the clients are already offshore, so it's not new money," he says, "but we are offering all-round services."

Chase's self-styled "Know Your Client" policy is a useful marketing tool in the wake of the collapse of the Bank of Credit and Commerce (BCCI), whose operations remained for a long time a mystery not only to Luxembourg authorities but also to the Bank of England.

Mr Pierre Jaans, the head of the Luxembourg Monetary Institute, (IML), the Grand Duchy's financial regulator, says the authorities are now much better equipped to deal with rogue banks such as BCCI.

Last April, the second EC banking directive and the money laundering directive passed into law - supported by IML circulars on solvency ratios and so-called "own funds". Mr Jaans argues that BCCI was a legacy of a much more lax regulatory environment in the 1970s, which was true of Europe as a whole.

The European Investment Bank

A listener who both lends and borrows big

AS a founder member of the European Community, Luxembourg has never been shy of making a pitch for a new EC institution.

Its campaign to capture the future European central bank has drawn much attention, but this has tended to obscure the presence in the Grand Duchy of an increasingly powerful international financial institution in its own right: the European Investment Bank (EIB).

The EIB's central task is to provide long-term finance to promote economic integration in the EC, most recently through the completion of the Single European market. But the bank is moving rapidly into new areas, ranging from the provision of funds for telecommunications networks in Bulgaria to the management of Euratom money for making nuclear reactors safe in the former Soviet Union.

Today, the EIB's lending and borrowing is bigger than the World Bank.

It has a leading role in the European Commission's growth initiative to get the European economy under way; and it has a powerful new president, Sir Brian Urwin, a former head of the UK Customs and Excise who spent the last

part of a 30-year-long career in Whitehall battling alongside Mrs Thatcher for a bigger EC budget rebate for Britain.

It is tempting to suggest that Sir Brian is a poacher-turned-gamekeeper. He prefers to describe himself as an EIB old boy, having earlier served as a British nominee to the EIB board. Insiders predict that this experience will make him a good less circum-spect about stamping his authority on the institution and shaping relations with its political masters in Brussels.

"We need to be a more active," said Sir Brian in an interview in late summer in his Luxembourg office. "Political control is in the European Community and the apex is the council of ministers. But it is very important to play an active role to shape the policy. The bank must be heard at all levels of the EC structures."

This suggests that the EIB has been willing to play "the listening bank". Its lack of political punch was underlined three years ago, when Chancellor Helmut Kohl bowed to French pressure and agreed to set up the Bank for European Reconstruction and Development in London. Many believe that the job would have

been handled better by the EIB.

The new bank's new portfolio includes:

- Operation of the new Ecu 2bn package of subsidised loans and grants set up as part of the EC's deal with the European Free Trade Area states known as the European Economic Area (which excludes Switzerland);
- A key role in the new Cohesion fund for Greece, Ireland, Spain and Portugal, as well as the newly enlarged Structural funds agreed in the December 1992 seven-year EC budget deal;
- Lead role in implementing the 1992 Edinburgh summit's growth package. This includes a temporary lending facility of Ecu 5 bn earmarked for transport and energy.

The Edinburgh agreement also covers a new financial instrument: the European Investment Fund. This is a novel semi-government agency which will draw on public and private capital to funnel finance to small and medium-sized businesses.

Continued on next page

ON BUSINESS IN LUXEMBOURG?

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LUXEMBOURG IV

Jul Christophory gets to grips
with the Grand Duchy's local lingo

Just a little Letzebuergesch as she is spoke

LETZEBUERGESH is the language of everyday communication of Luxembourgers with each other. Foreign observers have always been at a loss to pigeon-hole the one language really spoken in Luxembourg by native Luxembourgers.

At first sight, the country's linguistic situation seems to be a curious cocktail of three idioms mixed with a large foreign population - and influenced by the pragmatism of its inhabitants, much to the confusion of many Luxembourgers themselves.

Nowadays, when "Joe", "Pit" or "Mich" dials a number, he (or she) will first inquire whether the person on the other end of the line speaks Letzebuergesch or not. Half the time, he/she will not - nearly half of the working population is foreign.

In Parliament, official announcements are made in French but most of the debates are held in Letzebuergesch. Parliamentary documents and draft laws, as well as their published texts, are also in French.

If they are destined for a wider public circulation, they are translated into German (and increasingly, into Portuguese).

Most newspapers are written in German, with some French articles, mainly in the arts section.

Government offices use French as far as possible, but are supposed to answer letters in the language of the inquirer, be it German, French or Letzebuergesch.

In church, German is the primary language.

In the courts, French is the dominant language. (Lawyers who plead in Letzebuergesch are still considered mavericks.)

In primary schools and in the junior classes of the lycées, German tends to be the language of instruction - only to be replaced by French as the language of instruction for middle school and senior classes.

Letzebuergesch will not normally be used for teaching purposes, but teachers use it for informal conversation and pupils are always reprimanded in Letzebuergesch.

Nobody would ever speak French or German in public unless addressing a foreign guest.

However, in many a high street, when ordering a beer in a bar or inquiring in a shop, you may wish to speak French because nowadays most staff come from France, Belgium or Portugal.

This seemingly intractable state of affairs is deeply rooted in history.

Up to 1839 the Duchy's territory was situated on the dividing line of the Germanic and Roman languages; it consisted

of two geographical parts: one French and one Germanic (that is, Letzebuergesch) speaking region.

When the French-speaking region was incorporated into neighbouring Belgium in 1839, and Luxembourg was reduced to its present size, bilingualism still prevailed - with a strong preference for French, especially among the educated élites.

Letzebuergesch remained the language of everyday communication. German (as in Switzerland) was the written expression of a dialect rooted in peasant culture.

Increasingly, though, Luxembourgers now consider Letzebuergesch to have achieved the status of a language *per se*. For Letzebuergesch is alive and well, spoken by almost 100 per cent of the native population. Novels and poetry are written in it; films are shot in it;



Flooded as an EC 'official' language, Letzebuergesch is alive and well

Asterix and Tintin - beloved heroes of children's stories - are translated into its local radio broadcasting is thriving in it. Since last year there has been a one-hour daily news bulletin in Letzebuergesch on television.

In a rapidly evolving Europe, Letzebuergesch has become Luxembourg's one real symbol of national identity. This stems from the second world war. A plebiscite was forced upon the country by the occupying forces; the Nazis implied that, in answer to the question asking which language was spoken, Luxembourgers should specify German. When it became clear that a whispering campaign was spreading the word that everyone should specify "Letzebuergesch", the Germans called off their poodles.

Since that time - as a reflection of its weariness about being bullied around by foreign powers - Letzebuergesch has come to personify the Luxembourg spirit.

What, then, is Letzebuergesch like? For linguists it is the western-most branch of Moselle Franconian (Mosellefränkisch); it originated with the invasion of the Rhineland and North Sea Franks who began to settle around the river Moselle during the 3rd century AD.

In layman's terms, this means that its consonants are roughly halfway between High German and Dutch. Its vowels are something else altogether. And there are syntactical particularities.

To regard Letzebuergesch simply as a predominantly Germanic dialect, however, is to tell only half the story. Even in its heyday - in the 16th century, when a Luxembourg was set on the throne of the Holy Roman Empire - the lands of the Dukes of Luxembourg contained more French than German speakers.

Jul Christophory is head of Luxembourg's National Library

always looked westwards, and this is reflected in its vocabulary ("d'hotel", *le fausseil* in French archaism), and in an enormous number of verbs ending in "eieren" (for example: "proposeieren"), devised whenever Luxembourgers need a new word and do not want to look to Germany to find it. For most Luxembourgers, German is as much a foreign language as French.

Thanks to its position as the language of a sovereign state, Letzebuergesch has managed to avoid the decline suffered by

Official spelling had already been introduced in 1875, but most Luxembourgers do not really care - they go on writing phonetically

other "little" languages of Europe. By a law of 1984, it has officially become Luxembourg's national language. (An "official" spelling had already been introduced in 1975 - but most Luxembourgers do not really care; they go on writing phonetically.)

Foreign residents in Luxembourg know how important it is to know the language - be it only to catch bits of local gossip at the village stores. Language courses are thriving. As a result of the sorry state of Luxembourg demographics, there may be fewer Luxembourgers, but there is an ever-increasing number of Letzebuergesch speakers.

An important political party has even considered whether Letzebuergesch should be elevated to the status of official language for the European Community - with the proviso that Luxembourg itself would refrain from insisting that it be used as a working language. But who knows?

Jul Christophory is head of Luxembourg's National Library

Elizabeth Wise investigates the
multi-lingual insurance sector

Life business has doubled in the past year

THE life insurance business has doubled in the past year and insurers are still arriving in force to join firms from Europe, Japan and the United States.

If Dublin's new status as an insurance paradise causes Luxembourg any worry, it doesn't show. Business is booming, says Mr Victor Rod, director of Luxembourg's insurance commission, which serves as regulator and supervisor for 70 insurance companies and 185 reinsurers working in the country.

While the list of direct insurance companies includes well-known names - from Belgium's AssuBel to Switzerland's Winterthur - almost all

Dublin has been a challenge ever since Ireland cut its tax rate to 10 per cent for insurance firms coming before 1994

the reinsurance operating in Luxembourg are captives - insurance wings of industrial companies, banks or commercial institutions set up to insure themselves. "All our names are big names", Mr Rod says.

There are a couple of British names extremely interested, he adds, but declines to name them - hinting that he is competing with Dublin.

Dublin has been a challenge ever since Ireland cut its tax rate to 10 per cent for insurance firms which would set up shop in Dublin's docklands before 1994 and employ at least 10 workers. But the tax break ends in 2004.

Mr Rod admits that the Grand Duchy may have lost some key prospective customers to the Irish capital, and Luxembourg applications have waned slightly. But he says that there is no serious threat from Dublin, adding: "They consider us much more as competition than we do them".

He feels the establishment of Europe's single market has secured Luxembourg's position on the insurance map. As insurers seek to attract customers around the European continent, he predicts that they will opt for a branch in Luxembourg with a multilingual staff able to market products in various countries.

"Try to sell a policy written in English to a Frenchman," he challenges, arguing that a single Luxembourg's sales force can sell to clients in France, Germany and Belgium. He says that some British insurers are considering forming subsidiaries in Luxembourg, because marketing to the rest of Europe might be easier if it's not "too British".

Insurers from several EC states are forming joint ventures to win business there: national regulations will not allow - or simply to win a not-so-domestic image palatable to foreign customers, Mr Rod says. "They could do it from France or from Germany. But they prefer a neutral base".

Life insurance business in Luxembourg grew by 148 per cent in a single year, Mr Rod claims, as a result of the establishment of new, pan-European companies which use the (EC) free movement of services to serve clients in several countries. Life insurance premium income rose to Lfr14.6bn in 1992 from Lfr5.9bn a year earlier. Mr Rod predicts another doubling in 1993, and "dramatic

increases in the coming years". Non-life insurers took in Lfr19.5bn francs last year.

He also says that the new ventures are bringing new products to the market. British-style, high-yield USSTs, or investment fund linked policies, are finding their way on to the continent.

"There is a healthy mix which could give some interesting cross ideas," says Mr Tim Yeates, managing director of the Luxembourg branch of Unison Management, a company managing some 400 reinsurance companies worldwide.

The tradition of discretion in banking also applies to insurance companies, and insurers benefit - just as banks do - from the absence of withholding tax.

But entering Luxembourg's insurance market costs more than in other choice spots. The minimum capital is Lfr50m, 10 times what it costs to set up in Bermuda. And management must be domiciled in the Grand Duchy in order to avoid what Mr Rod calls "letter box" business.

Insurers come under Luxembourg's 39 per cent tax bracket, but they may put nearly all their profits into tax deductible "reserves", or savings for eventual payments in case of catastrophe. Taxable income, therefore, is next to nothing. "It's much more a tax holiday than a tax freedom," Mr Rod explains. Any reserves remaining when the insurance policy expires, are taxed.

Insurance companies held Lfr65bn in investments in Luxembourg last year, up from Lfr48bn in deposits in 1991. Reinsurance firms had Lfr120bn worth of reserves deposited in 1991.

The drawback of putting profits into reserves is that firms may not dip into profits to pay dividends. Mr Rod admits that companies wanting quick returns might be better served in Dublin, where firms see their profits each year.

But reserves keep companies from closing under the weight of catastrophic payments, he says, adding: "Those compa-

Those companies which really are confronted with catastrophic exposure in the long run have every interest in coming to Luxembourg"

nies which really are confronted with catastrophic exposure in the long run have every interest in coming to Luxembourg"

Luxembourg has an interest in getting those companies, too. Insurance, maritime and stock exchange structures were set up to expand the financial centre. Banks here "get a big share of these investments" made by insurers, and because nearly two thirds of premium income is ploughed into bonds, the business is also good for Luxembourg's stock exchange.

Luxembourg may not win a reputation as an insurance capital, says Mr Rod. "The insurance community will never be as important as the banking community, but it's growing, and it's growing very fast".

As for the Dublin challenge, Mr Yeates says that insurance services offered by the two cities need not detract from one another - and may be complementary. As for Mr Rod, he feels his country's position in the field is secure.

The EIB lends and borrows big

Continued from previous page

At the latest count, some 30 banks are positively committed to subscribing to the target of 30 per cent of the subscribed capital of Ecu 2bn, with the rest supplied by the European Commission and the EIB itself.

There is, however, another explanation for the EIB's higher profile.

The EIB's shareholders - the 12 EC member states - have been less willing to fund new infrastructure projects directly. With growing budget deficits and increasing pressure to meet the Maastricht treaty's convergence criteria, the emphasis is on fiscal constraint.

"We looked around and the EIB was the obvious source of capital," says one European Commission official.

The challenge is to ensure that his newly enlarged portfolio fits into the Bank's core

business: the promotion of greater economic cohesion in the EC, mainly through high-quality loans and underwriting capacity. These are still based on a triple A credit rating, which Sir Brian describes as the bank's most precious asset.

Ten years ago, the only country outside the EC in which the EIB was involved was Yugoslavia. Today it lends to African, Caribbean and Pacific countries (ACP), as well as to Latin America, Asia and, increasingly, eastern Europe. The EIB has also arranged a lending programme for the Baltic states - its first move into the former Soviet Union.

Lending outside the EC area still accounts for only about 5 per cent of the total loan portfolio. But it comes amid a significant expansion in the EIB's overall activities. Between 1993 and 1992, lending has risen from Ecu 61m to Ecu 17bn. This year it could exceed Ecu 20b.



Sir Brian Urquhart, forceful new president of the EIB

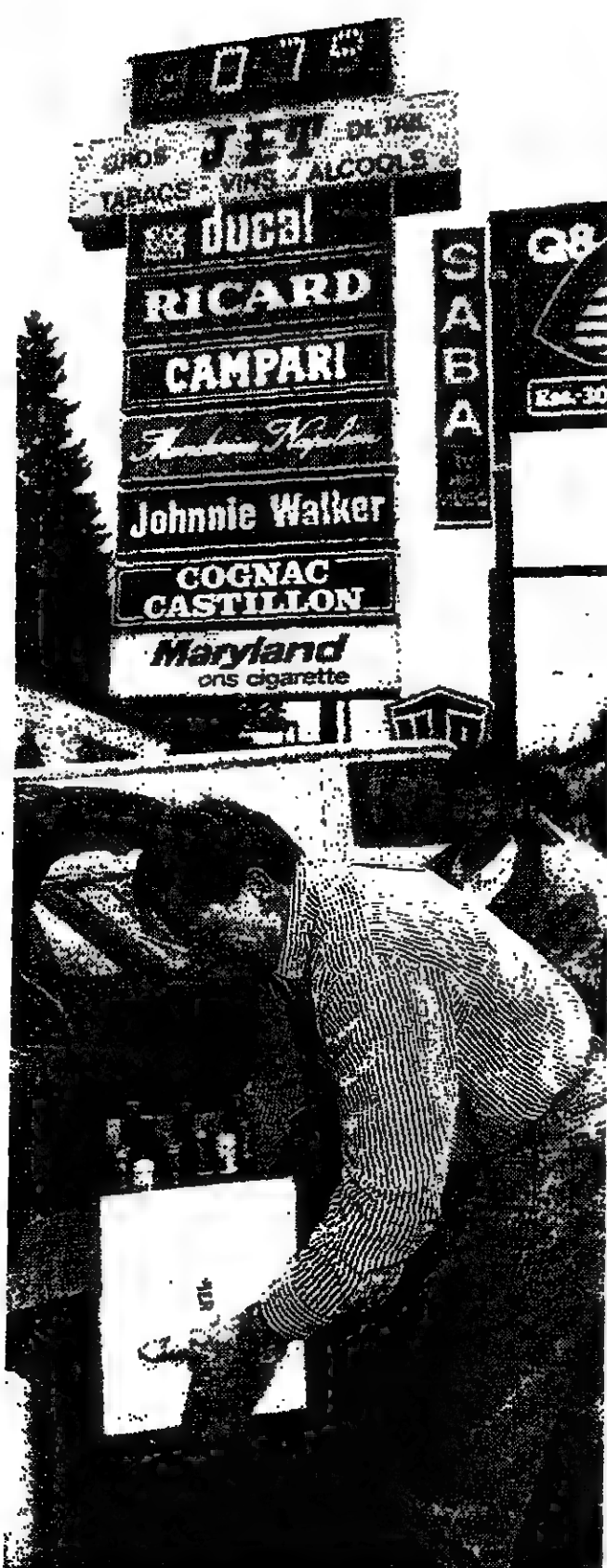
As Sir Brian pointed out in his inaugural address to shareholders, this breakneck expansion has led to distortions. About one third of the staff, works on less than 10 per cent of the EIB's lending. In other words, while lending has increased by 80 per cent over

the past five years, staff numbers grew by only 13 per cent. And the bank, says Sir Brian, already has a formidable amount of business on its plate.

It faces a tricky diplomatic task in relations with other EC agencies such as the European Bank for Reconstruction and Development (EBRD) and the European Commission; each has its own ideas on how best to promote the integration of Europe, east and west.

But Sir Brian, who calls himself "a lot of a European", has no intention of "going native" like some of his fellow countrymen on the continent. There is a strong practical edge to his character, coupled with a hard-headed optimism about the future prospects of the EC. This is a man committed to making the Community's often unwieldy institutions work.

Lionel Barber



Duty free: foreign residents know it is important to know the language



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INDICES

NEW YORK DOW JONES										INDICES																		
	Oct 18	Oct 19	Oct 13	Oct 14	1989				Stock compilation					Oct 18	Oct 19	Oct 15	Oct 16	1989					Oct 18	Oct 19	Oct 15			
					1989H	LOW	1989L	LOW	1989H	LOW	1989L	LOW						1989H	LOW	1989L	LOW							
Industrials	3635.38	3627.41	3629.73	3627.33	3632.08	3614.96	3622.08	3610.79	3632.08	3614.96	3622.08	3610.79	AUSTRALIA	2051.7	2057.5	2058.5	2057.1	2058.28	2057.08	2058.28	2057.08	1485.08	1487.08	1485.08	1487.08			
Auto	106.08	106.17	106.10	106.13	106.17	106.10	106.17	106.10	106.17	106.10	106.17	106.10	At Mktg (10/18)	882.9	873.9	880.5	883.7	882.98	873.98	880.58	883.78	712.08	712.08	712.08	712.08			
Transp	106.08	106.17	106.10	106.13	106.17	106.10	106.17	106.10	106.17	106.10	106.17	106.10	AUSTRIA	415.7	415.2	415.78	415.28	415.78	415.28	415.78	415.28	329.08	329.08	329.08	329.08			
Utilities	363.58	363.57	363.58	363.54	363.58	363.54	363.58	363.54	363.58	363.54	363.58	363.54	BELGIUM	1072.8	1072.2	1072.88	1072.28	1072.88	1072.28	1072.88	1072.28	712.08	712.08	712.08	712.08			
DJ Ind. Day's High 3635.37 (10/18) Low 3617.78 (10/15) (10/15) Day's Range 3635.38-3617.78 Low 3614.96 (10/15) (10/15)																												
Commodity %	49.21	48.45	49.40	48.89	49.21	48.45	49.40	48.89	49.21	48.45	49.40	48.89	CANADA	3191.3	3191.3	3191.3	3191.3	3191.3	3191.3	3191.3	3191.3	2161.08	2161.08	2161.08	2161.08			
Industrials %	53.41	53.41	53.41	53.41	53.41	53.41	53.41	53.41	53.41	53.41	53.41	53.41	CRC	2161.08	2161.08	2161.08	2161.08	2161.08	2161.08	2161.08	2161.08	1772.21	1772.21	1772.21	1772.21			
Financial	45.94	45.36	47.46	48.01	45.94	45.36	47.46	48.01	45.94	45.36	47.46	48.01	GERMANY	772.08	772.08	772.08	772.08	772.08	772.08	772.08	772.08	1582.08	1582.08	1582.08	1582.08			
NYSE Composite	293.96	293.96	293.96	293.96	293.96	293.96	293.96	293.96	293.96	293.96	293.96	293.96	GR. BRIT.	2228.08	2228.08	2228.08	2228.08	2228.08	2228.08	2228.08	2228.08	1582.08	1582.08	1582.08	1582.08			
Amex Mid. Vol.	476.10	476.10	476.10	476.10	476.10	476.10	476.10	476.10	476.10	476.10	476.10	476.10	HONG KONG	2042.98	2042.98	2042.98	2042.98	2042.98	2042.98	2042.98	2042.98	1512.08	1512.08	1512.08	1512.08			
NASDAQ Composite	788.71	788.71	788.71	788.71	788.71	788.71	788.71	788.71	788.71	788.71	788.71	788.71	Hungary Stock (10/18)	882.98	882.98	882.98	882.98	882.98	882.98	882.98	882.98	547.08	547.08	547.08	547.08			
					Oct 15	Oct 8	Oct 1	year ago (approx.)																				
Dom. Industrial Mkt. Yield	2.81	2.84	2.85	3.27																								
Oct 13	Oct 8	Sep 29	year ago (approx.)																									
S & P 100 Div. Yield	2.47	2.48	2.49	2.87																								
S & P 100 P/E Ratio	28.00	27.86	27.76	25.77																								
NEW YORK STOCKS										TRADING ACTIVITY																		
	Tuesdays	Stocks traded	Closing price	Change on previous	↑ Volume	Millions				Oct 18	Oct 19	Oct 15																
						Oct 18	Oct 19	Oct 15	Oct 13																			
Dow Jones	3,635,380	35%	+	+	New York SE	291,308	301,882	303,806																				
Amex	4,398,300	35%	+	+	Amex	22,361	24,858	42,481																				
NASDAQ	3,994,200	40%	+	+	NASDAQ	0	343,721	367,802																				
NYSE	4,398,300	35%	+	+	NYSE																							
Amex	3,994,200	40%	+	+	Amex	2,854	3,889	3,217																				
NASDAQ	3,994,200	40%	+	+	NASDAQ	1,779	1,851	2,282																				
NYSE	4,398,300	35%	+	+	NYSE	1,228	1,096	802																				
Amex	3,994,200	40%	+	+	Amex	847	572	613																				
NASDAQ	3,994,200	40%	+	+	NASDAQ	138	138	181																				
NYSE	4,398,300	35%	+	+	NYSE	10	11	14																				
Amex	3,994,200	40%	+	+	Amex	10	11	14																				
NASDAQ	3,994,200	40%	+	+	NASDAQ	10	11	14																				
NYSE	4,398,300	35%	+	+	NYSE	10	11	14																				
Amex	3,994,200	40%	+	+	Amex	10	11	14																				
NASDAQ	3,994,200	40%	+	+	NASDAQ	10	11	14																				
NYSE	4,398,300	35%	+	+	NYSE	10	11	14																				
Amex	3,994,200	40%	+	+	Amex	10	11	14																				
NASDAQ	3,994,200	40%	+	+	NASDAQ	10	11	14																				
NYSE	4,398,300	35%	+	+	NYSE	10	11	14																				
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NASDAQ	3,994,200	40%	+	+	NASDAQ	10	11	14																				
NYSE	4,398,300	35%	+	+	NYSE	10	11	14																				
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NYSE	4,398,300	35%	+	+	NYSE	10	11	14																				
Amex	3,994,200	40%	+	+	Amex	10	11	14																				
NASDAQ	3,994,200	40%	+	+	NASDAQ	10	11	14																				
NYSE	4,398,300	35%	+	+	NYSE	10	11	14																				
Amex	3,994,200	40%	+	+	Amex	10	11	14																				
NASDAQ	3,994,200	40%	+	+	NASDAQ	10	11	14																				

TOKYO - Most Active Stocks						
Wednesday, October 20, 1993						
	Stocks Traded	Closing Price	Change on day		Stocks Traded	Change on day
Nippon Steel	5.4m	352	+1	Mitsui Paper	2.6m	945 -5
Mitsubishi Hy	2.3m	570	+4	Tochiba Corp	1.5m	377 +19
Fujitsu	2.1m	881	-2	Nishiko Corp	1.9m	434 -6
Nissan	2.0m	949	+8	Marubeni S Trd	1.7m	1,010 +10
Mitsubishi Kasei	2.0m	1,280	+28	Nippon Express	1.7m	1,100 -20

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4 pm class October 20

Continued on next page

SAMSUNG
ELECTRONICS

REYVOURT
ARHIS.

NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

Table with multiple columns listing stock prices, including company names, prices, and volume. Includes sub-sections like -T-, -V-, -W-, -U-, -X-Y-Z-, and -C-.

Table with multiple columns listing stock prices, including company names, prices, and volume. Includes sub-sections like -K-, -L-, -M-, -N-, -O-, -P-Q-, -R-, -S-, -T-, -U-, -V-, -W-, -X-Y-Z-, and -C-.

AMEX COMPOSITE PRICES

Table with multiple columns listing stock prices, including company names, prices, and volume.

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AMERICA

Compaq and Digital send mixed messages

Wall Street

US share prices traded in a narrow range either side of opening values yesterday morning as the equity markets continued to digest the latest third quarter corporate earnings news, writes Patrick Harrington in New York.

At 1 pm, the Dow Jones Industrial Average was up 2.52 at 3,637.84. The more broadly based Standard & Poor's 500 was 0.93 lower at 465.29, while the Amex composite was up 0.45 at 476.55, and the Nasdaq composite up 0.09 at 768.80. Trading volume on the NYSE was 17m shares by 1 pm.

After several weeks of steady gains, and two days of heavy profit-taking, the markets appear to be at a crossroads. Yet, in the absence of fresh economic news, equity investors struggled to find a new direction yesterday. The bond market was in solid form - the yield on the benchmark 30-year bond has dropped to 5.821 per cent - but it failed to provide stocks with much support. Consequently, trading was uninspired and prices hovered around opening values throughout the morning. Overnight strength in foreign mar-

kets was largely ignored, and investors' attention was primarily fixed upon the latest batch of quarterly results.

Among those reporting yesterday were two big technology companies, Digital Equipment and Compaq. The former announced a wider than expected quarterly loss, driving its shares down \$1 to \$35.4. Compaq, however, outdid analysts' forecasts with its own profits announcement, and its shares climbed \$1 to \$64.

AMR, parent of American Airlines, rose \$4 to \$67.75 after the group reported net income of \$1.33 a share, a strong recovery from the \$1.32 a share loss incurred at the same stage a year ago. USAir, however, eased \$4 to \$13.5 as investors were left unimpressed by its third quarter loss of \$178m.

Bank stocks, hard hit by profit-taking and concerns about lower lending rates cutting into profit margins, rebounded handsomely. Citicorp rose \$1 to \$267.75. JP Morgan added \$1 to \$73.4. Wells Fargo firmed \$1 to \$120.45 and Chemical put on \$4 to \$41.1. BankAmerica eased \$4 to \$42.1 after reporting flat third quarter earnings.

Tobacco stocks were flat to weaker, undermined by reports

that President Bill Clinton has decided upon a 75 cent-a-pack increase in the cigarette tax. Philip Morris eased \$1 to \$61.7, American Brands gave up \$4 to \$33.9 and RJR Nabisco was unchanged at \$5.

On the Nasdaq market, Microsoft rose initially, then fell back to stand \$4 lower at \$79.5 as investors nervously awaited the third quarter results, which were due out after the close.

Canada

TORONTO edged ahead in midday trading as strong gold issues continued to prop up declines in most other indices. The TSE-300 composite index was up 4.62 to 4,178.30 in trade of 41.2m shares valued at C\$473m. Declining issues slipped past advances 309 to 298, with 302 issues holding steady.

SOUTH AFRICA

GOLD stocks were in focus as the price of bullion climbed above \$370 an ounce. The golds index rose 21, or 1.2 per cent, to 1,771, while industrials shed 8 to 4,511. The overall index lost 6 to 3,910. De Beers eased 50 cents to R85.

EUROPE

Frankfurt, Zurich back at record highs

A mixture of performances were seen yesterday, writes Our Markets Staff.

FRANKFURT turned forward once again to set a new record close following the release of satisfactory M3 data and a slight easing in the repo rate. Nevertheless, the market is not anticipating a cut in the discount rate at the regular meeting of the Bundesbank today, believing that the bank will wait for the release of inflation data before committing itself.

The DAX index added 15.80 to 2,042.58. Turnover was DM9.8bn.

Deutsche Telekom rose to DM743 by the close, with news that Deutsche Aerospace planned to make substantial job cuts by 1996 coming in the after market.

ZURICH returned to record breaking territory after Tuesday's brief consolidation and the SMI index added 7.7 to 2,683.4 in active trading.

Nestlé, benefiting from the strength of the dollar, continued its advance, adding SF79 to SF11.83 in active trading.

PARIS was beset by technical problems during the session and the CAC-40 index closed just 2.36 ahead at 2,149.68.

News that Cap Gemini, Charleux and Club Med were to be dropped from the index from November 17 depressed their prices: falling respectively by FF13.40, FF52 and FF26 to FF185.10, FF114.52 and FF368.

The replacements, BNP, CLF and Promodis, gained FF1.80, FF15.50 and FF60 to FF278.90, FF439.50 and FF1,010.

MILAN remained preoccupied with Fiat although renewed interest emerged in the broader market and the Comit index edged 0.69 lower to 588.25.

Arbitrage trade between the shares and rights left Fiat L12 lower at L3.850.

FT-SE Actuaries Share Indices

		THE EUROPEAN SERIES						
		Open	11.30	12.00	13.00	14.00	15.00	Close
October 20								
Hourly changes								
FT-SE 100	1340.12	1350.48	1350.50	1351.04	1350.88	1349.08	1348.69	1348.34
FT-SE 200	1419.38	1420.25	1421.51	1421.30	1422.15	1421.26	1421.57	1422.07
		Oct 19	Oct 18	Oct 15	Oct 14	Oct 13		
FT-SE 100	1348.27	1347.38	1330.52	1315.57	1317.05			
FT-SE 200	1414.54	1418.14	1407.10	1391.70	1391.36			

Base value 1000 (20/10/92) High/Low: 1001 - 1302.17, 200 - 1424.18 Low/High: 100 - 1348.15 200 - 1417.47

BCI rose 1.97 to L4.522 and Credito Italiano eased L14 to L3.901 as analysts awaited clarification of comments by the prime minister that a 3 per cent shareholder limit after the banks were privatised did not exclude the forming of "hard core" shareholder blocks. He added that investors wanting to take such positions would have to pay a premium for their stakes.

Speculative buying took Montedison L15.70 higher to L54.60 in heavy volume of 10.9m shares.

AMSTERDAM enjoyed another record breaking day with the CBS Tendency index finishing up 1.4 or 1 per cent at 133.9.

KLM strengthened on US buying with the shares adding F11.70 to F142.50. The publishing sector was also firmer, with Elsevier up F12.70 to F149.20, helped by news that the UK had cleared its purchase of the Official Airline guide, VNU rising F13.20 to F145.80 and Wolters Kluwer up F12.00 to F108.50.

Alko was one of the day's

losers, down F12.50 at F118.60. STOCKHOLM was pulled lower by Ericsson and Volvo. The Affarsvärlden general index closed down 11.5 at 1,385.5.

Ericsson shed SKr17 to SKr440 while Volvo slipped SKr16 to SKr413 following its announcement of details of its buy-out for BCF. Procordia lost SKr6 to SKr230.

MADRID finished near its highs for the day, lifted by an easing of one-year treasury bond yields, and the general index rose 2.93 to 303.1. Endesa added Pta180 to Pta6,000 in response to the company's forecast on Tuesday that group profit would rise by 5-10 per cent in 1993.

COPENHAGEN climbed to a new year's high with Novo Nordisk up Dkr4 to Dkr530 and the KFX index rising 1.16 to 101.65.

Written and edited by John Pitz and Michael Morgan.

Argentina anticipates further strong growth

By John Barham

EVERYTHING seems to be going right for Argentina. The economy is booming, inflation is at a record low and the political scene is stable, after the ruling Peronist party swept to its fourth consecutive electoral victory in congressional elections on October 3.

The gods are even smiling on President Carlos Menem, whose very name superstitious Argentines once considered unlucky. He emerged unscathed from a helicopter crash earlier this month and is now recovering rapidly from emergency surgery last week.

The stock market is storming ahead in a bull run that has driven prices up by a quarter this year. Although this compares poorly with developed country markets, much of the advance came during the last two months, with the Merval market index rising 13 per cent since mid-August.

Prices dipped suddenly last Thursday on the news that Mr Menem was undergoing surgery. The news broke just before the Buenos Aires market closed, but was enough to depress prices in New York.

However, the market bounced back when it became clear that he was out of danger. But New York's reaction showed that investor confidence in Argentina still depends on two men: Mr Menem and Mr Domingo Cavallo, his economy minister.

Foreign investors' views are more important than ever. It is international liquidity that is driving the market forward, not local factors. If capital inflows were to dry up, the market would go into reverse.

Corporate results are mediocre given that the economy is growing by 6 per cent, after expanding by 9 per cent in 1992. Ambito Financiero, a local business newspaper, commented this week that profits at the biggest listed companies rose only 7.5 per cent in the second quarter.

Luckily, overseas investors - mostly US and London-based emerging market fund managers - are looking further ahead. Many expect strong growth to continue in Argentina for some time.

Mr Steve Darob, managing director at Banco Mariva, a Buenos Aires merchant bank,

said investors "are buying where there is growth potential and the potential is absolutely phenomenal. Look at a difficult industry like steel, which had to go through a restructuring process: if you think the economy will continue growing, even a non-sexy industry like steel will grow too".

Sectors attracting greatest investor interest are energy, telecommunications, food, construction and banking.

YPF, Argentina's biggest company, offers exposure both to the oil industry and Argentina. Those who bought when it was floated in June have been handsomely rewarded with a 47 per cent rise to \$38 yesterday.

Investors are also encouraged by a decision at many companies to start paying cash dividends.

This marks an important cultural change. The market expects companies to provide consistent earnings as well as opportunities for speculative capital gains. Capital-hungry companies are finding they can no longer ignore

minority shareholders. But perhaps the most important event of the past month was congressional approval of

a private pension fund system. Pension funds are unlikely to have an immediate impact. But with time they should

broaden Argentina's narrow and volatile market and reduce its dangerous reliance on foreign capital.

ASIA PACIFIC

Nikkei resumes advance as region consolidates

Tokyo

INDEX-LINKED buying by arbitrageurs and purchases of large-capital stocks by public funds lifted share prices, and the Nikkei average closed moderately higher, writes Emiko Terazono in Tokyo.

The 225-issue average gained 103.51 at 20,173.42, having opened at the day's low of 20,054.21 before rising to the high for the session of 20,221.72 in late morning trading.

Volume amounted to 224m shares, against 206m. Traders said investors would remain quiet until Prime Minister Morihiro Hosokawa's political reform bill passed through parliament. "Once the bill is approved, the government will be able to concentrate on measures to boost the economy," said one Japanese broker.

Overall falls retained a narrow lead over advances by 494 to 483, with 195 issues unchanged, but the Topix index of all first section stocks rose 3.40 to 1,474.96. In London the ISE/Nikkei 50 index put on 0.73 at 1,286.54.

Dealers said the Nikkei index has been stunted for the past few weeks due to selling by corporate investors, with small-lot buying support only coming from public funds and arbitrageurs. Mr Yasuo Ueki at Nikko Securities said: "Companies are expected to sell about ¥1,000bn during the remainder of the fiscal year to March."

Among the large-capital stocks, Nippon Steel, the day's most active issue, firmed ¥1 to ¥332 and Mitsubishi Heavy Industries gained ¥4 at ¥769.

High-technology exporters were bought as beneficiaries of the yen's recent easing against the dollar. Sony advanced ¥70 to ¥4,830 and Matsushita Electric Industrial ¥10 to ¥1,510.

Heiwa, the pachinko pinball machine maker listed on the second section which is currently under police investigation, fell ¥500 to ¥3,450. Other leisure-related stocks were also weak, with Sega Enterprises down ¥120 to ¥9,750.

Telecom linked shares continued to sag on profit-taking. Nippon Telegraph and Telephone slipped ¥10,000 to ¥84,000, and Fujitsu was off ¥2 at ¥561.

Railway linked stocks were higher ahead of the listing of East Japan Railway next Tuesday. Nippon Signal rose ¥40 to ¥1,550 and Keihin Electric Express Railway ¥18 to ¥753.

In Osaka, the OSE average receded 43.33 to 22,156.12 in volume of 20.3m shares.

Roundup

MANY of the Pacific Rim markets continued to consolidate. HONG KONG finished modestly ahead after a session that had seen the Hang Seng index swing between a 120-point deficit and a 100-point gain. The index finished 41.58 higher at 8,022.50 in turnover that shrunk to HK\$7.29bn from Tuesday's HK\$9.55bn.

Mr Michael Paterson of Asia Equity commented that blue chips had been overbought and the market was broadening out into second liners and derivative instruments which had been left behind in the recent bull run. He thought that the current correction was very healthy, adding that he did not see the index moving upwards very far from its current level for the time being.

HISBC, which topped the active list, was down 50 cents at HK\$87, after slipping to a low of HK\$88 following news of a provision for its Samuel Montagu unit.

AUSTRALIA pulled back to

close weaker as profits were booked for the second consecutive day, and the All Ordinaries index finished 23.8 lower at 2,051.7 in turnover of A\$412.2m.

The All Industrials index fell 35.7 to 3,179.6 and the All Resources 14.8 to 1,190.1. BHP ended 22 cents cheaper at A\$17.40, while News Corp retreated 40 cents, or 3.4 per cent, to A\$11.25.

SEOUL was lower in continued reaction to recent advances, but renewed interest in some shares with low price-to-book ratios neutralised much of an early decline. The composite stock index lost a net 2.61 at 738.63 in turnover of Won564.45bn.

TAIWAN saw late selling after a minor technical rally and the weighted index ended 11.86 off at 3,958.32 in turnover that fell to T\$19.52bn.

SINGAPORE was easier on profit-taking, with sell-offs in selected index shares and some speculative issues dragging the market lower. The Straits Times Industrial index closed 12.42 down at 2,085.84, near the day's low of 2,083.07.

NEW ZEALAND lost ground, the NZSE-CAP index shedding 11.91 to 3,080.25. Telecom, still suffering from Merrill Lynch's change of recommendation on the stock, declined 7 cents to NZ\$4.28.

MANILA, however, resumed its climb after Tuesday's respite, and the composite index appreciated 46.79 to a record 2,205.78.

KARACHI kept up its forward momentum with a gain in the KSE-100 index of 28.14 to 1,475.57, writes Farhan Bokhari in Islamabad. The market was helped by the victory of Ms Benazir Bhutto's PPP party in forming the government in the Punjab, Pakistan's largest and wealthiest province.

FT-ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS		TUESDAY OCTOBER 19 1993										MONDAY OCTOBER 18 1993										DOLLAR INDEX									
Figures in parentheses show number of lines of stock		US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1993 High	1992 Low	1991 High	1990 Low	1989 High	1988 Low	1987 High	1986 Low	1985 High	1984 Low	1983 High	1982 Low	1981 High	1980 Low	1979 High	1978 Low	Year ago (approx)
NATIONAL AND REGIONAL MARKETS																															
Figures in parentheses show number of lines of stock																															
Australia (88)		155.77	+0.4	154.79	105.41	132.58	155.62	-0.4	3.32	155.21	153.61	105.42	131.29	155.19	155.77	117.39	119.67														
Austria (14)		182.99	-0.8	181.83	123.53	155.74	155.63	+0.0	1.01	184.47	182.57	123.29	156.04	185.79	184.47	131.16	148.64														
Belgium (42)		152.36	-0.4	151.39	103.09	129.66	134.32	-0.1	4.29	152.91	151.24	102.85	129.94	154.44	158.79	131.19	136.71														
Denmark (107)		130.06	+0.1	129.24	88.01	110.69	124.84	+0.0	2.68	129.97	126.63	88.27	109.93	134.99	130.38	111.41	115.07														
Finland (32)		235.12	-0.2	233.64	159.10	200.10	212.95	+0.2	1.07	235.96	233.53	160.27	198.59	212.13	239.12	185.11	191.85														
France (28)		122.30	-0.2	121.52	82.76	104.08	145.80	+0.0	0.71	122.49	121.29	83.20	103.82	145.89	122.49	65.50	60.15														
Germany (90)		167.80	-0.5	166.55	113.41	142.63	182.03	+0.0	3.05	166.85	165.82	114.47	142.58	182.03	173.05	142.72	147.83														
Greece (30)		134.93	-0.9	133.78	91.11	114.57	114.57	-0.3	1.85	135.79	134.40	92.24	114.86	114.86	136.13	101.59	109.08														
Hong Kong (55)		351.07	-1.7	348.86	237.56	298.80	348.46	-1.5	2.98	357.10	353.42	242.54	302.07	354.19	357.10	218.82	251.35														
Ireland (14)		172.94	+0.4	171.85	117.02	147.18	170.70	+1.5	3.28	172.24	170.47	116.59	145.89	168.25	174.50	128.28	132.17														
Italy (70)		71.00	-1.5	70.55	48.04	60.42	84.55	-1.1	1.86	72.09	71.26	48.96	60.98	85.50	78.93	53.79	55.06														
Japan (168)		153.08	-0.2	152.12	103.59	130.30	103.59	-0.2	0.80	152.80	151.23	103.78	129.27	103.78	153.08	107.75	105.59														
Malaysia (19)		454.41	+1.5	451.54	307.47	388.72	445.13	+1.5	1.56	447.05	442.45	303.63	378.13	437.92	451.54	261.86	284.55														
Netherlands (19)		459.68	-2.2	458.08	121.33	156.77	818.91	+2.2	8.00	477.99	478.59	120.92	156.97	605.04	481.66	191.56	141.00	138.45													
Netherlands (24)		194.37	-0.3	193.43	131.52	185.42	167.27	-0.2	3.35	195.17	193.17	132.56	165.10	182.67	194.37	150.33	137.95														
New Zealand (13)		84.50	-0.2	83.52	63.59	110.60	105.34	-0.2	2.59	83.87	83.03	63.77	105.87	104.59	84.50	68.42	40.95	38.79													
Norway (38)		161.62	+0.0	163.65	125.03	167.51	173.39	+0.5	1.42	164.88	162.19	125.56	156.97	170.03	168.68	127.77	115.47														
Singapore (38)		326.94	-1.4	325.91	221.98	279.18	236.17	-1.1	1.44	326.55	329.12	225.87	281.29	249.90	332.55	207.04	190.66														
South Africa (30)		216.74	+1.2	215.38	146.96	184.46	197.55	+1.6	2.32	214.18	211.98	145.47	181.16	195.11	216.74	142.14	152.25														
Spain (42)		142.92	-1.3	141.72	95.51	121.33	142.78	-0.3	4.09	144.44	142.95	95.10	122.17	143.23	144.44	115.23	113.31														
Sweden (30)		207.22	-0.8	205.12	149.39	242.59	207.22	-0.8	2.87	208.88	207.47	149.52	243.62	207.22	207.22	149.52	149.52														
Switzerland (50)		146.91	-0.9	145.99	98.42	125.05	131.52	-0.5	1.85	148.16	146.56	100.00	125.36	131.74	148.16	108.91	112.31														
United Kingdom (216)		189.32	-0.6	188.12	128.10	161.11	189.01	-0.6	3.30	190.55	188.59	128.41	161.11	188.59	190.55	162.87	160.87														
USA (319)		190.01	-0.5	188.23	128.16	161.72	190.01	-0.5	2.71	191.05	189.09	129.47	161.62	181.06	191.05	173.09	173.09														
NATIONAL AND REGIONAL MARKETS																															
Figures in parentheses show number of lines of stock																															
Australia (748)		161.08	-0.7	160.05	106.00	137.09	152.23	-0.2	2.97	162.24	160.57	110.20	137.24	152.52	162.97	133.92	126.51														
Canada (13)		193.42	-0.6	192.19	130.88	186.61	197.87	-0.2	1.24	194.54	192.54	132.13	184.56	198.25	194.54	142.13	145.18														
France (173)		160.31	-0.1	159.10	103.15	126.85	112.78	-0.1	2.85	160.85	158.85	103.78	126.85	141.67	160.31	108.69	108.69														
Germany (629)		188.26	-0.2	185.51	108.61	136.50	158.50	-0.2	1.85	189.01	185.95	107.60	136.50	158.50	188.26	116.81	116.81														
Italy (22)		165.10	-0.2	165.10	126.07	155.75	185.55	-0.5	2.70	167.28	165.53	127.20	156.42	186.54	167.28	151.51	166.20														
Japan (531)		142.64	-0.8	141.74	95.54	124.22	131.10	-0.2	2.44	143.73	142.24	97.54	126.51	131.24	143.73	125.51	157.87														
Netherlands (244)		330.57	-0.5	329.12	155.05	191.25	213.26	-0.5	2.72	331.62	329.24	157.64	195.84	214.84	331.62	152.70	152.70														
Norway (16)		161.15	-0.3	160.15	103.15	126.85	112.78	-0.3	2.85	161.15	159.15	103.15	126.85	141.67	161.15	108.69	108.69														
South Africa (30)		167.98	-0.3	166.98	113.59	142.87	145.36	-0.3	2.01	168.34	166.34	113.59	142.87	145.36	167.98	113.59	113.59														
Switzerland (50)		165.15	-0.3	164.17	113.73	143.40	157.33	-0.3	2.18	170.11	168.36	115.55	143.40	149.26	170.11	129.37	136.77														
United Kingdom (216)		189.32	-0.6	188.12	128.10	161.11	189.01	-0.6	3.30	190.55	188.59	128.41	161.11	188.59	190.55	162.87	160.87														
USA (319)		190.01	-0.5	188.23	128.16	161.72	190.01	-0.5	2.71	191.05	189.09	129.47	161.62	181.06	191.05	173.09	173.09														
NATIONAL AND REGIONAL MARKETS																															
Figures in parentheses show number of lines of stock																															
Australia (748)		161.08	-0.7	160.05	106.00	137.09	152.23	-0.2	2.97	162.24	160.57	110.20	137.24	152.52	162.97	133.92	126.51														
Canada (13)		193.42	-0.6	192.19	130.88	186.61	197.87	-0.2	1.24	194.54	192.54	132.13	184.56	198.25	194.54	142.13	145.18														
France (173)		160.31	-0.1	159.10	103.15	126.85	112.78	-0.1	2.85	160.85	158.85	103.78	126.85	141.67	160.31	108.69	108.69														
Germany (629)		188.26	-0.2	185.51	108.61	136.50	158.50	-0.2	1.85	189.01	185.95	107.60	136.50	158.50	188.26	116.81	116.81														
Italy (22)		165.10	-0.2	165.10	126.07	155.75	185.55	-0.5	2.70	167.28	165.53	127.20	156.42	186.54	167.28	151.51	166.20														
Japan (531)		142.64	-0.8	141.74	95.54	124.22	131.10	-0.2	2.44	143.73	142.24	97.54	126.51	131.24	143.73	125.51	157.87														
Netherlands (244)		330.57	-0.5	329.12	155.05	191.25	213.26	-0.5	2.72	331.62	329.24	157.64	195.84	214.84	331.62	152.70	152.70														
Norway (16)		161.15	-0.3	160.15	103.15	126.85	112.78	-0.3	2.85	161.15	159.15	103.15	126.85	141.67	161.15	108.69	108.69														
South Africa (30)		167.98	-0.3	166.98	113.59	142.87	145.36	-0.3	2.01	168.34	166.34	113.59	142.87	145.36	167.98	113.59	113.59														
Switzerland (50)		165.15	-0.3	164.17	113.73	143.40	157.33	-0.3	2.18	170.11	168.36	115.55	143.40	149.26	170.11	129.37	136.77														
United Kingdom (216)		189.32	-0.6	188.12	128.10	161.11	189.01	-0.6	3.30	190.55	188.59	128.41	161.11	188.59	190.55	162.87	160.87														
USA (319)		190.01	-0.5	188.23	128.16	161.72	190.01	-0.5	2.71	191.05	189.09	129.47	161.62	181.06	191.05	173.09	173.09														
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Australia (748)		161.08	-0.7	160.05	106.00	137.09	152.23	-0.2	2.97	162.24	160.57	110.20	137.24	152.52	162.97	133.92	126.51														
Canada (13)	</																														